

# THE HMS VICTORY PRESERVATION COMPANY

England & Wales · Charity number 1146376

## Details

---

Other names	HMS VICTORY CHARITY
Status	Registered
Legal form	Charitable company
Company number	<a href="#">07935358</a>
Registered	2012-03-14
Register	<a href="#">View on the Charity Commission register</a>

## Contact

---

Address	Nmrn Pp66 HM Naval Base Portsmouth Hants PO13NH
Phone	02392727572
Email	<a href="mailto:governance@nmrn.org.uk">governance@nmrn.org.uk</a>
Website	<a href="http://www.hms-victory.com">www.hms-victory.com</a>

## Activities

---

**Objects:** THE OBJECTS ARE FOR THE BENEFIT OF THE PUBLIC:2.1 TO PRESERVE, RESTORE AND MAINTAIN HMS VICTORY;2.2 TO EDUCATE THE NAVAL SERVICE AND AUXILIARIES AND OTHER 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;2.3 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; AND2.4 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.

**Activities:** Preserve, restore and maintain HMS VictoryEducate the Naval Service, Auxiliaries and the public about the history of HMS Victory and of the Royal Navy Promote the efficiency of the armed forces by assisting recruitment and retention and fostering the esprit de corps of the Royal Navy; and Commemorate

those members of the Naval Service and Auxiliaries who have died while on active service

## Classification

---

- **How:** Provides Buildings/facilities/open Space
- **What:** General Charitable Purposes, Education/training, Arts/culture/heritage/science, Environment/conservation/heritage, Other Charitable Purposes
- **Who:** The General Public/mankind

## Geography

---

- Portsmouth City

## Finances

---

Period end	Income	Expenditure	Assets	Employees
2025-03-31	£1,255,302	£1,638,627	£71,052,100	0
2024-03-31	£732,979	£824,885	£71,003,467	0
2023-03-31	£683,216	£317,764	£67,497,231	0
2022-03-31	£597,317	£1,047,304	£68,806,360	0
2021-03-31	£380,131	£392,661	-	-

## Trustees

---

Name	Role	Appointed
ANDREW IMPEY		2021-10-15
Amjad Hussain		2017-10-25
Barbara Halliday		2020-02-11
Dr Matthew Tanner		2021-10-20
Helen Jackson		2021-02-24
JAMIE MATHESON		2013-07-29
Joanna Baldwin		2023-05-31
Julie Lawrence		2026-02-18
MARY RACHEL MONTAGU-SCOTT		2019-11-20
Rosemary Bridge		2019-11-20
Vice Admiral Sir Charles Montgomery		2018-11-13

## Linked charities

---

- THE HMS VICTORY PRESERVATION TRUST (1146376-1)

**THE HMS VICTORY PRESERVATION COMPANY**

England & Wales - Charity number 1146376

---

# Accounts

---

**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 2025**

---

**Contents**

Legal and administrative information.....3  
Foreword.....4  
Performance Report.....5  
Accountability Report .....11  
Statement of Trustees’ and Accounting Officer’s responsibilities.....15  
Independent Auditor’s report to the Trustees of The HMS Victory Preservation Company.....16  
Statement of financial activities (incorporating the income and expenditure account).....19  
Balance sheet .....20  
Cash flow statement .....21  
Notes to the financial statements.....22

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

## **Legal and administrative information**

<b>Charity number</b>	1146376
<b>Company registration number</b>	07935358
<b>Registered office</b>	HM Naval Base (PP66) Portsmouth Hampshire PO1 3NH
<b>Chief Executive and Accounting Officer</b>	Matthew Sheldon
<b>Trustees</b>	Vice Admiral Sir Charles Montgomery Ms Rosemary Bridge (name change) Commodore Jeremy Bailey (resigned 5 June 2025) Ms Joanna Baldwin Mrs Barbara Halliday Rear Admiral Amjad Hussain Mr Andrew Impey Ms Helen Jackson Mr Jamie Matheson Mrs Mary Montagu-Scott Dr Matthew Tanner Mrs Julie Taylor
<b>Company Secretary</b>	Nichola Tregear
<b>Accountants</b>	Compass Accountants Venture House, The Tanneries, East Street, Titchfield, Hampshire PO14 4AR
<b>Auditors</b>	Price Bailey LLP 24 Old Bond Street, London, W1S 4AP
<b>Bankers</b>	Lloyds TSB Bank Plc 16A High Street, Cosham, Portsmouth, Hampshire PO6 3DY

## **Foreword**

The Trustees present their annual report and the audited financial statements of The HMS Victory Preservation Company (“the charitable company”) for the year ended 31 March 2025. The Trustee has adopted the provisions of the Statement of Recommended Practice (SORP) “Accounting and Reporting by Charities” (FRS 102) in preparing the annual report and financial statements of the charitable company.

The charitable objectives of The HMS Victory Preservation 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 charitable 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 charitable company.

On 29 March 2012, the ownership of HMS Victory transferred to the HMS Victory Preservation Trust, an unincorporated registered charitable trust of the charitable 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 charitable company. The charitable 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 charitable company may only use the income for a period of 25 years. The value of these endowment funds stood at £45,301,616 on the 31 March 2025.

The Trustees have concluded that whilst the Board is richly endowed with the experience and expertise to govern the charitable company and trust, they do not have the operational expertise or infrastructure to present the Ship to the public as a visitor attraction or to preserve, restore and maintain it. Accordingly, it has come to an agreement with the charitable entity, NMRN Operations (“the operator”) (charity number: 1169061), also a wholly owned subsidiary of the National Museum, that it will present the Ship as a visitor attraction to the public, and in order to do so, it will also maintain and preserve the Ship, as part of its own charitable activities. Grants to the operator to support its activities are currently funded from the charitable company’s investment income, but also through grant funding received from the separate and independent charitable trust, HMS Victory Preservation Endowment Fund.

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**

#### ***Strategic intent and delivery***

During the period, the charitable company has for the first time set out its strategic intent (for the years 2025 – 2035) and reviewed its strategic alignment with that of the National Museum group and the arrangements in place for its delivery. The review has concluded that the current delivery arrangements remain fit for purpose, and through further clarity and strengthening of the relationship with its operator, will serve the charitable company well into the future.

The charitable company awarded grants totalling £725,000 to NMRN Operations (2023-24: £665,000) under the operator agreement. These grant funds enabled the ship to function as a visitor attraction, and in so doing, deliver a comprehensive conservation programme, and support interpretation that conveyed the history and significance of this iconic vessel. Regular assurance reports, combined with trustees’ tours of the ship, demonstrated how the grants had been used and the reasons for any underspend.

The operator’s audience engagement work also played a valuable role in providing assurance to the charitable company. For the period, the total number of visitors to the ship had increased to 236k (2023-24: 231k). Sincere thanks are passed to the operator who delivered an exciting programme of activities to support the

learning and education of those who came on board. Further details of activities and achievements can be found in the sections below.

Separate to the assurance reports received from the operator, quarterly investment reports are presented to the charitable company. Such reports inform the charitable company of how effective the Investment Managers are in delivering the investment policy for the total investments of £45,332,177 (market value at 31 March 2025). Returns from the investment is used to support the long-term conservation management plan and presentation of the ship. For this period, the total investment income was £1,255,302 (2024: £732,979). Further information on the Investment Policy can be found in the sections below.

### ***Preserving, restoring and maintaining HMS Victory***

Since assuming responsibility for the presentation and care of HMS Victory, the operator has adopted a conservation approach in accordance with those principles set out in the National Historic Ships UK publication "Conserving Historic Vessels". Its Conservation Programme Plan (CPP) for the Ship, developed in association with subject matter experts, defines 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) was developed during the year by the operator, supported and challenged by its Victory Technical Committee, to ensure it is future proofed and supports the planned programme. The plan will enable a consistent approach for all who work on the Ship.

Efforts in the year continued to concentrate on hull planking removal, removal of rot decay and mitigating against the re-growth of rot should the timber become temporarily wet again in the future. The operator was successful in working with the structural engineers to ensure all necessary works did not significantly impact the structure and ensured all works were undertaken in a controlled environment.

The operator's programme of surveys and testing continued throughout the year, including the fastenings on futtock scarph joints as mandated by the structural modelling. The hull conservation continued, and the first stage of oak was delivered to commence its work in Spring 2025.

Stonework within the docking area of the Ship continued during the year with much needed repairs completed to ensure the dry-docking of the ship remained safe and the stability structure was sound.

Cleaning of the Trafalgar Sail was completed during November 2024 and generated widespread media coverage. This foretopsail is the only surviving sail from the Battle of Trafalgar. The sail bears the marks of this ferocious battle, being peppered with some 90 shot holes. Following the cleaning, the sail was documented on a grid to record stains, areas of loss, or fraying. This helped to enable comparison works to be completed to previous reports, showing any signs of deterioration over time, and assess how the sail is currently being kept. To date no areas of concern have been discovered.

The operator undertook options appraisals of the preservation and interpretative opportunities associated with the historically significant port oak frames in the long term. The stabilisation of the timber will require two main pieces of work, treatment to ensure removal of pest activity and some consolidation of the timber futtocks to prevent loss of material. Work would continue in this area into the next year.

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

The operator continued to welcome visitors to the Ship and museum gallery and held a number of STEM activities during the year. Such activities included: The Fungus Heroes and Villains Trail and 'Meet the Teams' talks that were given by the operator's shipwrights, showcasing the processes followed for caulking and

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

general conservation works. A comprehensive programme of Heritage Open Days (HOD) was held and the tours were delivered by the operator's conservation team working on Victory Live. Events included timber marks tours, shipwright scaffolding tours, and conservation tours onboard HMS Victory.

Guided tours continued to be successful during off peak periods and proved successful for a second year. The operator's staff brought the ship to life and educated the visitors on the whole history of the Ship in a personable way.

The operator's schools offer continued to feature as a core element of programming and engagement. The Minecraft programming strand, delivered in partnership with the scaffold contractors, continued to be popular with younger audiences during holiday periods.

Media coverage of activities included a visit from Agence France Presse which led to 14 pieces of global coverage including Hindustan Times, inewspaper, France 24 and Khaleej Times. The French Oak story resulted in widespread national coverage including multiple BBC radio outlets, Mail Online and GB News.

The operator was also proud to support and host the Association of Women in Boatbuilding event onboard HMS Victory.

The operator 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, and remembrance activities including Trafalgar Day.

A joint initiative between Portsmouth City Council and the operator's joint venture with the Mary Rose Trust, PHD Operations Limited, to offer free tickets to all families within the city who are entitled to Pupil Premium was offered for the second year and opened up HMS Victory again to those who may not have been able to visit the Ship previously. All MoD serving personnel are also admitted free of charge to Portsmouth Historic Dockyard and its attractions. Significant discounts are given to guests of serving personnel, veterans, HM Workers within the Naval Base, blue light and NHS personnel.

The operator continues to update its online collections service, following the cyber-attack, and a number of items relating to HMS Victory are available to view. Work continues to upload further collections to support digital research and education.

### ***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.

HRH The Princess Royal visited the ship during the year and was impressed with the conservation work and the approach taken by the operator's project team.

During the reporting period, the Royal Navy was able to host a number of ceremonial events including dinners and receptions in the Great Cabin and on the lower gun deck. In June 2024, Armed Forces Day was celebrated at the Portsmouth Historic Dockyard and all serving personnel were given free access to the attractions including HMS Victory.

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

### ***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**

2025-26 will see further development of the Trustees' strategic intent and clarity over the assurance reporting requirements of the operator, NMRN Operations.

Expenditure for the coming period will be grant funding to NMRN Operations to deliver the Ship's operation for the public benefit, and the charitable company's governance costs and investment management costs. Grants to NMRN Operations will be funded from investment income.

The charitable company holds substantial endowments, which together with the support of the HMS Victory Preservation Endowment Fund, will fund the presentation and conservation of the Ship for many years to come. The Trustees and Directors are, however, aware of inflationary pressures and will begin to review fundraising opportunities over the coming years to ensure the ability 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. 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 2025***

Total incoming resources for the HMS Victory Preservation Company in 2024-25 amounted to £1,255,302 (2023-24: £732,979). This inflow related to investment income.

Total resources expended for 2024-25 amounted to £1,638,627 (2023-24: £824,885). This outflow related to grants awarded to NMRN Operations to support its delivery of its visitor and educative activities and its conservation work, and the value of timber used in the conservation activity. Outflows also related to the charitable company's investment management and governance costs.

After net gains on investments of £429,594 (2023-24: £3,590,658) on the investment portfolio, and other recognised gains on revaluation of fixed assets totalling £2,364 (2023-24: £7,484), the net movement in funds for the year was an increase of £48,633 (2023-24: £3,506,236).

#### ***Balance sheet***

The net assets as at 31 March 2025 amounted to £71,052,100 (31 March 2024: £71,003,467). Of this total, unrestricted funds were £340,498 (2023-24: £523,171), £45,301,616 related to endowment funds (2023-24: £44,321,412), and £25,409,986 are the assets (the ship itself, the stock and the revaluation reserve) of the HMS Victory Preservation Trust (2023-24: £26,158,884).

Movements in fixed assets are shown in notes 8 – 10.

### ***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 attributable to unrestricted funds). As at 31 March 2025, the level of the company's free reserves stood at a £296,078 (2023-24 £478,751).

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 £45,301,616 on the 31 March 2025 (2023-24 £44,321,412). These funds may be used to support the charitable objects of the company.

### ***Investment Policy***

The Trustees have developed an Investment Policy that operates alongside its Reserves Policy. The charitable 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 charitable 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 ensure the maintenance and presentation of HMS Victory for future generations and it is therefore essential to invest with a long-term perspective.

The charitable company's approach is to seek to ensure that investment returns are sought from a combination of capital growth and income, but without specific targets for each element. 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 charitable company's attitude to risk is therefore described as progressive.

The charitable 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 charitable company. The Trustees do not wish to invest in direct property.

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

The Investment Policy was reviewed and updated during the 2022-23 year 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 accounts have been audited by Price Bailey LLP. So far as the Trustees and Accounting Officer are aware, there is no relevant audit information of which the charitable 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 charitable 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**  
**On Behalf of the Board of Trustees**

**Date: 28 October 2025**



**Matthew Sheldon**  
**Chief Executive and Accounting Officer**

**Date: 28 October 2025**

## **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 charitable company.

The Trustees have due regard to guidance issued by the Charity Commission on public benefit and in its charitable objects, the charitable 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 charitable 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 charitable company within that framework is delegated to the Chief Executive Officer 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 and 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 charitable 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 and discussed the issue and made their recommendations.

The subcommittees of the Board include:

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

### ***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 charitable 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 periodically to seek assurance that NMRN Operation's workplans for the repair, refurbishment, and conservation of HMS Victory ensure she may continue to be enjoyed by current and future beneficiaries. The Victory Technical Committee has the appropriate technical competences and professional expertise in the conservation of 18th Century wooden ships to provide assurance on the repair, refurbishment and conservation of HMS Victory to the Board.

### ***Victory Audit, Risk and Assurance Committee***

The committee meets as business requires to consider extraordinary items or items specific to the charitable company. Members are invited to observe the National Museum's Audit and Governance Committee, which is responsible for the effectiveness of audit, risk management and internal 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 is appropriately established and maintained.

### ***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 committees. It advises on an annual training calendar for the trustees and reviews the skills and experiences of trustees to ensure the composition of the committees are adequate and robust.

### ***Victory Communication and Engagement Committee***

The committee meets as required to advise the Board on its strategic plans for the communication and engagement of HMS Victory and her conservation, so that she may be enjoyed by current and future beneficiaries on site, off site and digitally.

### ***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.

### ***Cyber-attack***

On 9 December 2024, the National Museum's IT network was subject to a significant ransomware cyber-attack. All appropriate internal procedures were immediately followed upon detection in accordance with the Data Protection Policy and all relevant authorities and regulatory bodies were notified, including the Police, Charity Commission, Information Commissioner's Office, National Cyber Security Centre, Auditors, Insurers and our sponsor, the Royal Navy.

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

There was no evidence of any personal data loss, however, the incident caused severe operational disruption upon initial identification. With support from the National Museum's IT support service providers, services were prioritised for reinstatement, and a recovery plan was implemented to minimise continuing disruption to the business. Some of the National Museum's data remains encrypted and cannot be restored.

The operator has prioritised the recovery of vital information relating to the ship, its conservation and key data to support future projects. Where data was unable to be recovered and assessed as critical, the operator is working to rebuild such crucial information. This includes the data necessary data to continue with the rigging and spars work.

Since the incident, the National Museum has taken further steps to strengthen cyber resilience, including the implementation of enhanced security measures, updated staff training, and the introduction of new systems and processes designed to prevent and mitigate the impact of any future attacks. The National Museum continues to treat cyber security as a high priority and regularly reviews the group's preparedness and response capabilities.

### ***Personal data loss***

The charitable company has not identified any personal data related incidents during 2024-25. 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 charitable 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 charitable 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 charitable company's risk register and the responses to risk are managed by the Chief Executive Officer and overseen by the National Museum's Audit and Governance Committee as well as the charitable company's Board. In addition, the charitable company has a system of internal review and checks which link to plans and risks.

The principal risks to the delivery of the charitable company's objectives focus on decisions made by NMRN Operations in its 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 seeks assurance from NMRN Operations on its use of grant

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

funding in delivery of its plans for the presentation, repair, refurbishment and conservation of HMS Victory in line with best international practice in the conservation of 18<sup>th</sup> Century wooden ships.

A further risk centres around returns from the investment funds required to financially support NMRN Operations in its presentation of 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.

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

**Statement of Trustees' and Accounting Officer's responsibilities**  
**for the year ended 31 March 2025**

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: 28 October 2025**



**Matthew Sheldon**  
**Chief Executive and Accounting Officer**

**Date: 28 October 2025**

## **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 2025 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 2025 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 has 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;
- 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

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

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, and the Charities SORP.

The risks were discussed with the audit team and we remained alert to any indications of non-compliance throughout the audit. We carried out specific procedures to address the risks identified. These included reviewing minutes of Trustee Board meetings; agreeing the financial statement disclosures to underlying supporting documentation; enquiring of management, including those charged with governance.

To address the risk of management override of controls, we carried out testing of journal entries and other adjustments for appropriateness. We also assessed management bias in relation to the accounting policies adopted and in determining significant accounting estimates.

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](http://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 trustees, 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 trustees 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Michael Cooper-Davis FCCA ACA (Senior Statutory Auditor)

**Price Bailey LLP**

Chartered Accountants

Statutory Auditors

24 Old Bond Street

London

W1S 4AP

Date: 28 October 2025

**Statement of financial activities (incorporating the income and expenditure account)  
for the year ended 31 March 2025**

	Notes	Unrestricted funds	HMS Victory Preservation Trust	Endowment funds	2025 Total	Unrestricted funds	HMS Victory Preservation Trust	Endowment funds	2024 Total
		£	£	£	£	£	£	£	£
<b>Income and endowments from:</b>									
Investments	2	267,153	-	988,149	1,255,302	141,964	-	591,015	732,979
<b>Total income and endowments</b>		<u>267,153</u>	<u>-</u>	<u>988,149</u>	<u>1,255,302</u>	<u>141,964</u>	<u>-</u>	<u>591,015</u>	<u>732,979</u>
<b>Expenditure on:</b>									
Investment management costs		-	-	126,812	126,812	-	-	130,019	130,019
Charitable activities:									
HMS Victory Preservation	3 / 4	760,553	751,262	-	1,511,815	684,415	10,451	-	694,866
<b>Total expenditure</b>		<u>760,553</u>	<u>751,262</u>	<u>126,812</u>	<u>1,638,627</u>	<u>684,415</u>	<u>10,451</u>	<u>130,019</u>	<u>824,885</u>
Net (losses)/gains on investments		-	-	429,594	429,594	-	-	3,590,658	3,590,658
<b>Net (expenditure)/income</b>		<u>(493,400)</u>	<u>(751,262)</u>	<u>1,290,931</u>	<u>46,269</u>	<u>(542,451)</u>	<u>(10,451)</u>	<u>4,051,654</u>	<u>3,498,752</u>
<b>Transfers between funds</b>		310,727	-	(310,727)	-	1,485,482	-	(1,485,482)	-
<b>Other recognised gains/(losses)</b>									
Gains/(losses) on revaluation of fixed assets	8	-	2,364	-	2,364	-	7,484	-	7,484
<b>Net movement in funds</b>		<u>(182,673)</u>	<u>(748,898)</u>	<u>980,204</u>	<u>48,633</u>	<u>943,031</u>	<u>(2,967)</u>	<u>2,566,172</u>	<u>3,506,236</u>
<b>Reconciliation of funds:</b>									
Total funds brought forward		523,171	26,158,884	44,321,412	71,003,467	(419,860)	26,161,851	41,755,240	67,497,231
<b>Total funds carried forward</b>		<u>340,498</u>	<u>25,409,986</u>	<u>45,301,616</u>	<u>71,052,100</u>	<u>523,171</u>	<u>26,158,884</u>	<u>44,321,412</u>	<u>71,003,467</u>

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

**The notes on pages 22 to 31 form an integral part of these financial statements.**

**Balance sheet**  
**as at 31 March 2025**

	Notes	£	2025 £	£	2024 £
<b>Fixed assets</b>					
Tangible assets	8		6,079,406		6,828,304
Heritage assets	9		19,375,000		19,375,000
Investments	10		45,332,177		44,348,371
Total fixed assets			<u>70,786,583</u>		<u>70,551,675</u>
<b>Current assets</b>					
Debtors	11	-		1,232	
Cash at bank and in hand		311,383		491,900	
Total current assets		<u>311,383</u>		<u>493,132</u>	
<b>Creditors: amounts falling due within one year</b>	12	(45,866)		(41,340)	
<b>Net current assets</b>			<u>265,517</u>		<u>451,792</u>
<b>Net assets</b>			<u>71,052,100</u>		<u>71,003,467</u>
<b>Funds</b>					
Unrestricted funds			340,498		523,171
HMS Victory Preservation Trust:					
HMS Victory Preservation Trust funds		25,347,546		26,098,809	
Revaluation reserve		62,440		60,075	
Total HMS Victory Preservation Trust funds	14		<u>25,409,986</u>		<u>26,158,884</u>
Endowment funds	15		<u>45,301,616</u>		<u>44,321,412</u>
<b>Total funds</b>			<u>71,052,100</u>		<u>71,003,467</u>

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: 28 October 2025**

**Cash flow statement  
for the year ended 31 March 2025**

	Notes	2025 £	2024 £
<b>Cash flows from operating activities:</b>			
<b>Net cash used in operating activities</b>		(881,607)	(1,724,216)
<b>Cash flows from investing activities</b>			
Dividend and interest income		1,255,302	732,979
Purchase of investments		(988,150)	(591,016)
Disposal of investments		310,727	1,485,482
Adjustment for non-cash fees deducted from gains/losses		123,211	153,275
<b>Cash used in investing activities</b>		<u>701,090</u>	<u>1,780,720</u>
Increase/(Decrease) in cash and cash equivalents in the year	17	<u>(180,517)</u>	<u>56,504</u>
Cash and cash equivalents at the beginning of the year		<u>491,900</u>	<u>435,396</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><u>311,383</u></u>	<u><u>491,900</u></u>
Net (expenditure)/income for the reporting period (as per the statement of financial activities)		46,269	3,498,752
Depreciation and loss on disposal of assets		751,262	10,451
(Gains) on investments		(429,594)	(3,590,658)
Dividends and interest from investments		(1,255,302)	(732,979)
Decrease in debtors		1,232	22,655
Increase/(Decrease) in creditors		4,526	(932,437)
<b>Net cash used in operating activities</b>		<u><u>(881,607)</u></u>	<u><u>(1,724,216)</u></u>

**Analysis of changes in net funds**

	Opening balance £	Cash flows £	Closing balance £
Cash at bank and in hand	491,900	(180,517)	311,383
<b>Net funds</b>	<u><u>491,900</u></u>	<u><u>(180,517)</u></u>	<u><u>311,383</u></u>

The notes on pages 22 to 31 form an integral part of these financial statements.

## **Notes to the financial statements** **for the year ended 31 March 2025**

### **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 Company and 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 these 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:

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.

## **Notes to the financial statements** **for the year ended 31 March 2025**

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 or 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.

### **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 527m<sup>3</sup> of teak, plus some smaller quantities of iroko and Brazilian mahogany, that had originally been procured by the Ministry of Defence for use in the conservation and maintenance of the Ship and that had been valued by Timbmet.

In 2016, 93 tonnes (~39m<sup>3</sup>) 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.

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:

## **Notes to the financial statements** **for the year ended 31 March 2025**

- In 2022, 370 hoppus feet (~13m<sup>3</sup>) 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 (~108m<sup>3</sup>) of unseasoned oak was donated by HS2. This timber is being stored at a yard in the Midlands awaiting conversion and seasoning. Again, it is 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:

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.

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.

**Notes to the financial statements**  
**for the year ended 31 March 2025**

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.

**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.

Once the restoration project is complete a revaluation of the ship will be undertaken.

**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**

<b>Estimate</b>	<b>Assumption</b>
<b>Valuation of HMS Victory</b>	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.
<b>Valuation, being the deemed cost, of seasoned timber</b>	<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>

**Notes to the financial statements  
for the year ended 31 March 2025**

**2. Investment income**

	Unrestricted funds £	Endowment funds £	2025 Total £	Unrestricted funds £	Endowment funds £	2024 Total £
Income from listed investments	<u>267,153</u>	<u>988,149</u>	<u>1,255,302</u>	<u>141,964</u>	<u>591,015</u>	<u>732,979</u>

**3. Costs of charitable activities - by fund type**

	HMS Victory		2025	HMS Victory		2024
	Unrestricted funds £	Preservation Trust £	Total £	Unrestricted funds £	Preservation Trust £	Total £
HMS Victory Preservation	<u>760,553</u>	<u>751,262</u>	<u>1,511,815</u>	<u>684,415</u>	<u>10,451</u>	<u>694,866</u>

**4. Costs of charitable activities - by activity**

	Activities undertaken directly £	Governance and support costs £	2025 Total £	2024 Total £
HMS Victory Preservation	754,447	32,368	786,815	29,866
Grant to NMRN Operations (Charity 1169061)	725,000	-	725,000	665,000
	<u>1,479,447</u>	<u>32,368</u>	<u>1,511,815</u>	<u>694,866</u>

**5. Analysis of governance and support costs**

	2025 Total £	2024 Total £
Depreciation and impairment	10,633	10,451
Accountancy fees	2,400	2,400
Auditor remuneration	12,600	9,422
Trustee expenses	6,735	5,498
	<u>32,368</u>	<u>27,771</u>

**6. Employees**

There were no employees directly employed by the charity in the period (2024: Nil).

No Trustees received remuneration during the period (2024: Nil). Eight Trustees were reimbursed for travel expenses totalling £5,858 (2024: Six Trustees were reimbursed for travel expenses totalling £2,104).

**7. Taxation**

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

**Notes to the financial statements  
for the year ended 31 March 2025**

**8. Fixed assets – Tangible assets**

	Fixtures, fittings and equipment £	Timber £	Total £
<b>Cost or valuation</b>			
At 1 April 2024	261,279	6,692,439	6,953,718
Revaluation	4,545	-	4,545
Disposals	-	(740,629)	(740,629)
At 31 March 2025	<u>265,824</u>	<u>5,951,810</u>	<u>6,217,634</u>
<b>Depreciation</b>			
At 1 April 2024	125,414	-	125,414
Charge for the year	10,633	-	10,633
Revaluation	2,181	-	2,181
At 31 March 2025	<u>138,228</u>	<u>-</u>	<u>138,228</u>
<b>Net book values</b>			
At 31 March 2025	<u>127,596</u>	<u>5,951,810</u>	<u>6,079,406</u>
At 31 March 2024	<u>135,865</u>	<u>6,692,439</u>	<u>6,828,304</u>

**9. Fixed assets – Heritage assets**

	HMS Victory £	Total £
<b>Valuation and Net book value</b>		
At 1 April 2024 and 31 March 2025	<u>19,375,000</u>	<u>19,375,000</u>
	<b>At cost £</b>	<b>At valuation £</b>
Carrying amount at 1 April 2024 and 31 March 2025	<u>-</u>	<u>19,375,000</u>
		<b>Total £</b>
		<u>19,375,000</u>

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

<b>Cost or valuation</b>	<b>2025 £</b>	<b>2024 £</b>	<b>2023 £</b>	<b>2022 £</b>	<b>2021 £</b>
<u>Additions</u>					
Purchases	-	-	-	-	-
Donations	-	-	-	-	-
<u>Disposals</u>	-	-	-	-	-

Notes to the financial statements  
for the year ended 31 March 2025

10. Fixed assets – Investments

Valuation	Listed investments £	Total £
At 1 April 2024	44,348,371	44,348,371
Additions	988,150	988,150
Disposals	(310,727)	(310,727)
Gains and losses before management fees	429,594	
Less management fees deducted	(123,211)	
Net increase in investment market value	<u>306,383</u>	<u>306,383</u>
At 31 March 2025	<u><u>45,332,177</u></u>	<u><u>45,332,177</u></u>

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 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:

		2025 £	2024 £
<u>UK</u>	UK government and fixed interest securities	2,814,264	1,853,883
	UK bonds	1,142,395	1,446,215
	UK equities	3,417,509	3,694,081
	Others	4,846,918	4,165,621
	Capital account	203,889	74,714
		<u>12,424,975</u>	<u>11,234,514</u>
<u>Overseas</u>	Fixed interest	-	1,269,778
	International bonds	1,029,257	1,315,376
	International equities	28,603,702	27,516,781
	Others	3,274,243	3,011,922
		<u>32,907,202</u>	<u>33,113,857</u>
		<u><u>45,332,177</u></u>	<u><u>44,348,371</u></u>

11. Debtors

	2025 £	2024 £
Accrued income	-	1,232
	<u><u>-</u></u>	<u><u>1,232</u></u>

**Notes to the financial statements  
for the year ended 31 March 2025**

**12. Creditors: amounts falling due within one year**

	<b>2025</b>	<b>2024</b>
	£:	£
Trade creditors	2,400	-
Amounts owed to group companies	305	140
Accruals and deferred income	43,161	41,200
	<u>45,866</u>	<u>41,340</u>

**13. Analysis of net assets between funds**

	<b>HMS Victory</b>			<b>2025</b>
	<b>Unrestricted</b>	<b>Preservation Trust</b>	<b>Endowment</b>	<b>Total</b>
	<b>funds</b>	<b>Trust</b>	<b>funds</b>	<b>funds</b>
	£	£	£	£
Fund balances at 31 March 2025 as represented by:				
Tangible fixed assets	44,420	6,034,986	-	6,079,406
Heritage assets	-	19,375,000	-	19,375,000
Investment assets	-	-	45,332,177	45,332,177
Current assets	311,383	-	-	311,383
Current liabilities	(15,305)	-	(30,561)	(45,866)
	<u>340,498</u>	<u>25,409,986</u>	<u>45,301,616</u>	<u>71,052,100</u>
Unrealised gains included in tangible fixed assets	-	62,439	-	62,439

	<b>HMS Victory</b>			<b>2024</b>
	<b>Unrestricted</b>	<b>Preservation Trust</b>	<b>Endowment</b>	<b>Total</b>
	<b>funds</b>	<b>Trust</b>	<b>funds</b>	<b>funds</b>
	£	£	£	£
Fund balances at 31 March 2024 as represented by:				
Tangible fixed assets	44,420	6,783,884	-	6,828,304
Heritage assets	-	19,375,000	-	19,375,000
Investment assets	-	-	44,348,371	44,348,371
Current assets	493,132	-	-	493,132
Current liabilities	(14,381)	-	(26,959)	(41,340)
	<u>523,171</u>	<u>26,158,884</u>	<u>44,321,412</u>	<u>71,003,467</u>
Unrealised gains included in tangible fixed assets	-	60,075	-	60,075

Notes to the financial statements  
for the year ended 31 March 2025

14. Restricted funds

	At 1 April 2024 £	Outgoing resources £	Gains and losses £	At 31 March 2025 £
HMS Victory Preservation Trust	26,158,884	(751,262)	2,364	25,409,986

	At 1 April 2023 £	Outgoing resources £	Gains and losses £	At 31 March 2024 £
HMS Victory Preservation Trust	26,161,851	(10,451)	7,484	26,158,884

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.

15. Endowment funds

	At 1 April 2024 £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	At 31 March 2025 £
Endowment Fund	37,247,170	830,045	(106,522)	(261,011)	360,859	38,070,541
Catalyst Endowment Fund	7,074,242	158,104	(20,290)	(49,716)	68,735	7,231,075
	<u>44,321,412</u>	<u>988,149</u>	<u>(126,812)</u>	<u>(310,727)</u>	<u>429,594</u>	<u>45,301,616</u>

	At 1 April 2023 £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	At 31 March 2024 £
Endowment Fund	35,091,585	496,453	(109,216)	(1,247,805)	3,016,153	37,247,170
Catalyst Endowment Fund	6,663,655	94,562	(20,803)	(237,677)	574,505	7,074,242
	<u>41,755,240</u>	<u>591,015</u>	<u>(130,019)</u>	<u>(1,485,482)</u>	<u>3,590,658</u>	<u>44,321,412</u>

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

**Notes to the financial statements  
for the year ended 31 March 2025**

**16. 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.

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.

**17. 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 (2024: None).

**18. Revaluation reserve**

	<b>2025</b>	<b>2024</b>
	<b>£</b>	<b>£</b>
At 1 April 2024	60,075	52,591
Movement in reserves	2,364	7,484
At 31 March 2025	<u>62,439</u>	<u>60,075</u>

**THE HMS VICTORY PRESERVATION COMPANY**

England & Wales - Charity number 1146376

---

# Accounts

---

**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 2024**

---

## Contents

Legal and administrative information.....	3
Foreword.....	4
Performance Report.....	5
Accountability Report .....	12
Statement of Trustees' and Accounting Officer's responsibilities.....	15
Independent Auditor's report to the Trustees of The HMS Victory Preservation Company.....	16
Statement of financial activities (incorporating the income and expenditure account).....	19
Balance sheet.....	20
Cash flow statement .....	21
Notes to the financial statements.....	22

## Legal and administrative information

<b>Charity number</b>	1146376
<b>Company registration number</b>	07935358
<b>Registered office</b>	HM Naval Base (PP66) Portsmouth Hampshire PO1 3NH
<b>Chief Executive and Accounting Officer</b>	Matthew Sheldon (appointed 1 December 2023)
<b>Director General and Accounting Officer</b>	Dominic Tweddle (resigned 30 November 2023)
<b>Trustees</b>	Vice Admiral Sir Charles Montgomery Ms Rosemary Banyard Commodore Jeremy Bailey Ms Joanna Baldwin (appointed 30 May 2023) Mr Mark Caroe (resigned 17 May 2023) Mrs Barbara Halliday Rear Admiral Amjad Hussain Mr Andrew Impey Ms Helen Jackson Mr Jamie Matheson Mrs Mary Montagu-Scott Rear Admiral Richard Stokes (resigned 22 February 2024) Dr Matthew Tanner Mrs Julie Taylor (appointed 31 May 2023)
<b>Company Secretary</b>	Nichola Tregear
<b>Accountants</b>	Compass Accountants Venture House, The Tanneries, East Street, Titchfield Hampshire PO14 4AR
<b>Auditors</b>	Price Bailey LLP 24 Old Bond Street, London, W1S 4AP
<b>Bankers</b>	Lloyds TSB Bank Plc 16A High Street, Cosham, Portsmouth Hampshire PO6 3DY

## **Foreword**

The Trustees present their annual report and the audited financial statements of The HMS Victory Preservation Company ("the charitable company") for the year ended 31 March 2024. The Trustee has adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" (FRS 102) in preparing the annual report and financial statements of the charitable company.

The charitable objectives of The HMS Victory Preservation 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 charitable 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 charitable company.

On 29 March 2012, the ownership of HMS Victory transferred to the HMS Victory Preservation Trust, an unincorporated registered charitable trust of the charitable 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 charitable company. The charitable 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 charitable company may only use the income for a period of 25 years. The value of these endowment funds stood at £44,321,412 on the 31 March 2024.

The Trustees of the charitable company have concluded that they do not have the operational expertise or infrastructure to preserve, restore and maintain the Ship or to present it to the public as a visitor attraction. Accordingly, the charitable company has come to an agreement with the charitable entity, NMRN Operations (“the operator”) (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 that 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 charitable company approved the Conservation Programme Plan (CPP) for the Ship, developed by the operator in association with subject matter experts. Its purpose 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) was developed during the year by the operator and reviewed by the Trustees and Directors, with support and challenge from the Victory Technical Committee, to ensure it is future proofed and supports the planned programme. The plan will enable a consistent approach for all who work on the Ship.

Efforts in the year continued to concentrate on hull planking removal. Although the operator has been successful in removing a large number of planks, this came with a number of challenges due to degradation of on-ship materials, and the standard of frames being exposed. This resulted in a revised project baseline which was further impacted by the cost of materials significantly increasing due to inflationary rises.

A programme of surveys and testing mandated by legislation, was completed alongside the commencement of fungicidal treatment and grained repairs to the Ship’s frame on the Starboard side. Production of replacement

futtocks had also started. Work was undertaken by the operator, under the guidance of structural support specialists, to prevent movement of the Ship in its current structure during this process.

The year also saw the final consolidating of the Ship's rig and smaller spars that were removed in 2011. They are now in one location where they will be catalogued, and their condition assessed to inform planning for the re-rig.

Significant achievements that were made include:

**Materials Trials** – testing continued by the operator's 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 nc<sup>2</sup> 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. The approach to the fungal survey which has been outlined with the University's microbiology department is due to commence in the summer. The Deathwatch beetle colony that was sent to London Zoo for testing reported positive signs that there is larvae in the Ship's timber and this will enable further testing and management going forward.

**Workshop Upgrades** – to support the delivery of the 12-year conservation plan, upgrades to the workshops progressed and a new space was designed. The Bay 4 racking construction was completed to support the new space for critical quality control procedures for the production of laminating oak and for the smooth supply chain flow from the timber supplier.

**Scaffolding Structure** - the large scaffold structure continues to be adapted to support the work of the operator's conservators and shipwrights.

**Timber Procurement** – the operator's timber framework agreement implemented in 2022-23 continues to be used and materials received to date have met the required specification.

**Digital Content** – the operator's 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 visitors' research and experiences across websites, social media and within the Victory Live experience and can be found on the National Museum's website, including the 'HMS VICTORY: The Big Repair Information Hub' that went live in February 2024. The Hub enables digital visitors and also site visitors to experience the level of conservation being undertaken, receive key updates, witness the restoration milestones and learn more about the science. The Hub 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.

To support this, the operator's Archaeology Team led the preparation and implementation of a strategy for recording the work packages dealing with the starboard futtock repairs. Such strategies included photographs and laser scans as work progressed and will be used as an archaeological archive for future researchers and custodians of the Ship.

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

The operator welcomed 282,056 visitors (2022-23: 204,859 visitors) to HMS Victory (Ship and Gallery) during the period and the Ship continued to be one of the most visited attractions at the Portsmouth Historic Dockyard. Guided tours were reintroduced during the off-peak period and proved successful with excellent feedback. Up to 23 tours of the Ship were given each day during this period where the operator's staff brought the ship to life and educated the visitors on the whole history of the Ship in a personable way.

The operator's schools offer continued to feature as a core element of programming and engagement. There were approximately 12,149 school visits to the Ship and Gallery. The operator's staff also supported the wider sector through delivering a 'virtual' session on board HMS Victory as part of a 'Kids in Museums' conference which was well received. The Minecraft programming strand, delivered in partnership with the Scaffold contractors, was nominated for the Construction News Specialist Awards in the 'Excellence in Social Value' category and continues to be held on site when large numbers of families visit. This was well publicised through the social media channels.

STEM was a significant theme for the summer that included an action event led by the Royal Navy's STEM Engagement Team, supported by the operator's Conservation Team. Over 300 visitors participated in these activities. During September 2023, HMS Victory was part of the National Museum's Heritage Open Days offering visitors the chance to meet shipwrights and riggers, with the opportunity to take a 'Beetles on Board' tour.

HMS Victory was visited by the FirstLight Trust who work with veterans within the community. It was included in one of the 'Tea and Sea' sessions run at the Royal Navy Benevolent Trust care home, Jellicoe House, in their dementia unit. Such events supported our community and funding was confirmed for the development of the Chatterboxes project that outreach resource for patients with dementia. Trials have shown that these are highly effective for stimulating communication and the project will be in partnership with the clinical team at the Queen Alexandra Hospital.

The operator has approved strategic audience and branding work, to look at the market potential and align audience priorities to the National Museum's vision, mission and strategic plan.

The operator 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, and remembrance activities including Trafalgar Day.

Media coverage highlights included mention of the HMS Victory Conservation project and events across the Daily Telegraph, BBC South News, ITV News, Channel 5 – Susan Calman's 'Grand Day Out' and Portsmouth news. Conservation footage has been made available on the National Museum's Facebook page, Twitter feed and Instagram.

A joint initiative between Portsmouth City Council and the operator's joint venture with the Mary Rose Trust, 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. All MoD serving personnel are also admitted free of charge to Portsmouth Historic Dockyard and its attractions. Significant discounts are given to guests of serving personnel, veterans, HM Workers within the Naval Base, blue light and NHS personnel.

The operator continues to update its online collections service 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 digital visitors.

**Key Performance Indicators (KPI) for the Year:**

KPI	Target	Measured/Reported
No. of visitors to HMS Victory	195,096	226,118
No. of unique visitors to Victory Hub website	350,000	Launched February 2024
% visitors to recommend a visit to Portsmouth Historic Dockyard	85%	87.24%
No. of visits by under 18s in formal education	HMS Victory specific target not set for present financial year	12,149

**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 6 ceremonial events including the Trafalgar Day Ceremony, 12 Great Cabin Dinners/Drink Receptions, 2 lower gun deck dinners and 2 drink receptions. In June 2023, 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**

2024-25 will see further progress in the physical conservation work to the Ship. With hull planking now removed over a large section of the Ship, an extensive re-baselining of the project was completed in order to provide a new, accurate, programme and budget for the project. Physical works to the ship will progress, including:

**Hull Planking** - further experiments will be undertaken on non-invasive condition assessment of the Ship’s futtocks using ground penetrating radar and work continues to finalise the futtock prototypes approach to large repairs in collaboration with external experts who are modelling disconnections, propping and proposing the monitoring regime for when futtocks are removed. Consultation continues with the timber specialist on the industrial laminating processes to inform the first stage laminating jig design. Production of futtocks continue to be discussed with specialist companies to identify how the process can be accelerated to align with the structural work and re-planking programme.

**Mast Removal** – the lower main mast removal to be progressed to allow a period of investigation, based on recommendations from industrial conservators.

**Public Engagement and Communication** – following the outcomes from the operator’s audience development and brand work, work will continue 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 HMS Victory Preservation Company**  
**(A company limited by guarantee)**  
**Company number: 07935358**

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 charitable 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 Trustees and Directors are, however, aware of inflationary pressures and will begin to review fundraising opportunities over the coming years to ensure the ability 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. 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 2024***

Total incoming resources for the HMS Victory Preservation Company in 2023-24 amounted to £732,979 (2022-23: £683,216. This inflow related to investment income.

Total resources expended for 2023-24 amounted to £824,885 (2022-23: £317,764). This outflow related to grants awarded to NMRN Operations for delivery of the conservation project, visitor and educative activities and investment management and governance costs.

After net gains on investments of £3,590,658 (2022-23: £1,690,445 loss) on the investment portfolio as a result of market volatility, and other recognised gains on revaluation of fixed assets totalling £7,484 (2022-23: £15,864), the net movement in funds for the year was an increase of £3,506,236 (2022-23: £1,309,129 decrease).

### ***Balance sheet***

The net assets as at 31 March 2024 amounted to £71,003,467 (31 March 2023: £67,497,231). Of this total, unrestricted funds were £523,171 (2022-23: £419,860 deficit), £44,321,412 related to endowment funds (2022-23: £41,755,240), and £26,158,884 are the assets (the ship itself, the stock and the revaluation reserve) of the HMS Victory Preservation Trust (2022-23: £26,161,851).

Movements in fixed assets are shown in notes 8 – 10.

### ***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 2024, the level of the company's free reserves stood at a £478,751 (2022-23 Deficit of £464,280 which 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 £44,321,412 on the 31 March 2024 (2022-23 £41,755,240). 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 charitable 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 charitable 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 charitable 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 charitable company's attitude to risk is therefore described as progressive.

The charitable 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 charitable company. The Trustees do not wish to invest in direct property.

The Investment Policy was reviewed and updated during the 2022-23 year 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.

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

### **Auditors**

The accounts have been audited by Price Bailey LLP. So far as the Trustees and Accounting Officer are aware, there is no relevant audit information of which the charitable 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 charitable 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**  
**On Behalf of the Board of Trustees**

**Date: 13<sup>th</sup> November 2024**



**Matthew Sheldon**  
**Chief Executive and Accounting Officer**

**Date: 13<sup>th</sup> November 2024**

## **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 charitable company.

The Trustees have due regard to guidance issued by the Charity Commission on public benefit and in its charitable objects, the charitable 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 charitable 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 charitable company within that framework is delegated to the Chief Executive Officer 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 and 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 charitable 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 and discussed the issue and made their recommendations.

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

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 charitable 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 18<sup>th</sup> 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 charitable 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 charitable company has not identified any personal data related incidents during 2023-24. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information which

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

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

The principal risks to the delivery of the charitable 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 18<sup>th</sup> 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.

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

**Statement of Trustees' and Accounting Officer's responsibilities**  
**for the year ended 31 March 2024**

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: 13<sup>th</sup> November 2024**



**Matthew Sheldon**  
**Chief Executive and Accounting Officer**

**Date: 13<sup>th</sup> November 2024**

## **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 2024 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 2024 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;
- 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

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

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, and the Charities SORP.

The risks were discussed with the audit team and we remained alert to any indications of non-compliance throughout the audit. We carried out specific procedures to address the risks identified. These included reviewing minutes of Trustee Board meetings; agreeing the financial statement disclosures to underlying supporting documentation; enquiring of management, including those charged with governance.

To address the risk of management override of controls, we carried out testing of journal entries and other adjustments for appropriateness. We also assessed management bias in relation to the accounting policies adopted and in determining significant accounting estimates.

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](http://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 trustees, 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 trustees 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Michael Cooper-Davis FCCA ACA (Senior Statutory Auditor)

**Price Bailey LLP**

Chartered Accountants

Statutory Auditors

24 Old Bond Street

London

W1S 4AP

Date: 15 November 2024

**Statement of financial activities (incorporating the income and expenditure account)  
for the year ended 31 March 2024**

	Notes	Unrestricted funds		HMS Victory Preservation Trust		Endowment funds		2024 Total		Unrestricted funds		HMS Victory Preservation Trust		Endowment funds		2023 Total	
		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
<b>Income and endowments from:</b>																	
Donations		-	-	-	-	-	-	-	-	2,670	-	-	-	-	-	-	2,670
Investments	2	141,964	-	-	591,015	-	591,015	732,979	732,979	446,138	-	-	234,408	-	234,408	-	680,546
<b>Total income and endowments</b>		<u>141,964</u>	<u>-</u>	<u>-</u>	<u>591,015</u>	<u>-</u>	<u>591,015</u>	<u>732,979</u>	<u>732,979</u>	<u>448,808</u>	<u>-</u>	<u>-</u>	<u>234,408</u>	<u>-</u>	<u>234,408</u>	<u>-</u>	<u>683,216</u>
<b>Expenditure on:</b>																	
Investment management costs		-	-	-	130,019	-	130,019	130,019	130,019	-	-	-	193,997	-	193,997	-	193,997
Charitable activities:																	
HMS Victory Preservation	3 / 4	684,415	10,451	10,451	-	-	-	694,866	694,866	113,851	9,916	-	-	-	-	-	123,767
<b>Total expenditure</b>		<u>684,415</u>	<u>10,451</u>	<u>10,451</u>	<u>130,019</u>	<u>-</u>	<u>130,019</u>	<u>824,885</u>	<u>824,885</u>	<u>113,851</u>	<u>9,916</u>	<u>193,997</u>	<u>-</u>	<u>193,997</u>	<u>-</u>	<u>317,764</u>	<u>-</u>
Net (losses)/gains on investments		-	-	-	3,590,658	-	3,590,658	3,590,658	3,590,658	-	-	-	(1,690,445)	-	(1,690,445)	-	(1,690,445)
<b>Net (expenditure)/income</b>		<u>(542,451)</u>	<u>(10,451)</u>	<u>(10,451)</u>	<u>4,051,654</u>	<u>4,051,654</u>	<u>3,498,752</u>	<u>3,498,752</u>	<u>3,498,752</u>	<u>334,957</u>	<u>(9,916)</u>	<u>(1,650,034)</u>	<u>(1,650,034)</u>	<u>(1,650,034)</u>	<u>(1,650,034)</u>	<u>(1,324,993)</u>	<u>(1,324,993)</u>
<b>Transfers between funds</b>		1,485,482	-	-	(1,485,482)	-	-	-	-	(868,079)	-	-	868,079	-	868,079	-	-
<b>Other recognised gains/(losses)</b>																	
Gains/(losses) on revaluation of fixed assets	8	-	7,484	7,484	-	-	-	7,484	7,484	-	15,864	-	-	-	-	-	15,864
<b>Net movement in funds</b>		<u>943,031</u>	<u>(2,967)</u>	<u>(2,967)</u>	<u>2,566,172</u>	<u>2,566,172</u>	<u>3,506,236</u>	<u>3,506,236</u>	<u>3,506,236</u>	<u>(533,122)</u>	<u>5,948</u>	<u>(781,955)</u>	<u>(781,955)</u>	<u>(781,955)</u>	<u>(781,955)</u>	<u>(1,309,129)</u>	<u>(1,309,129)</u>
<b>Reconciliation of funds:</b>																	
Total funds brought forward		(419,860)	26,161,851	26,161,851	41,755,240	41,755,240	67,497,231	67,497,231	67,497,231	113,262	26,155,903	42,537,195	42,537,195	42,537,195	42,537,195	68,806,360	68,806,360
<b>Total funds carried forward</b>		<u>523,171</u>	<u>26,158,884</u>	<u>26,158,884</u>	<u>44,321,412</u>	<u>44,321,412</u>	<u>71,003,467</u>	<u>71,003,467</u>	<u>71,003,467</u>	<u>(419,860)</u>	<u>26,161,851</u>	<u>41,755,240</u>	<u>41,755,240</u>	<u>41,755,240</u>	<u>41,755,240</u>	<u>67,497,231</u>	<u>67,497,231</u>

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

The notes on pages 22 to 31 form an integral part of these financial statements.

**Balance sheet**  
as at 31 March 2024

	Notes	£	2024 £	£	2023 £
<b>Fixed assets</b>					
Tangible assets	8		6,828,304		6,831,271
Heritage assets	9		19,375,000		19,375,000
Investments	10		44,348,371		41,805,454
Total fixed assets			<u>70,551,675</u>		<u>68,011,725</u>
<b>Current assets</b>					
Debtors	11	1,232		23,887	
Cash at bank and in hand		491,900		435,396	
Total current assets		<u>493,132</u>		<u>459,283</u>	
<b>Creditors: amounts falling due within one year</b>	12	(41,340)		(973,777)	
<b>Net current assets</b>			<u>451,792</u>		<u>(514,494)</u>
<b>Net assets</b>			<u>71,003,467</u>		<u>67,497,231</u>
<b>Funds</b>					
Unrestricted funds			523,171		(419,860)
HMS Victory Preservation Trust:					
HMS Victory Preservation Trust funds		26,098,809		26,109,260	
Revaluation reserve		60,075		52,591	
Total HMS Victory Preservation Trust funds	14		<u>26,158,884</u>		<u>26,161,851</u>
Endowment funds	15		<u>44,321,412</u>		<u>41,755,240</u>
<b>Total funds</b>			<u>71,003,467</u>		<u>67,497,231</u>

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: 13<sup>th</sup> November 2024

**Cash flow statement  
for the year ended 31 March 2024**

	Notes	2024 £	2023 £
<b>Cash flows from operating activities:</b>			
<b>Net cash used in operating activities</b>		(1,724,216)	(220,159)
<b>Cash flows from investing activities</b>			
Dividend and interest income		732,979	680,546
Purchase of investments		(591,016)	(1,102,487)
Disposal of investments		1,485,482	-
Adjustment for non-cash fees deducted from gains/losses		153,275	193,255
<b>Cash used in investing activities</b>		<u>1,780,720</u>	<u>(228,686)</u>
Increase/(Decrease) in cash and cash equivalents in the year	17	<u>56,504</u>	<u>(448,845)</u>
Cash and cash equivalents at the beginning of the year		<u>435,396</u>	<u>884,241</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>491,900</u>	<u>435,396</u>
Net (expenditure)/income for the reporting period (as per the statement of financial activities)		3,498,752	(1,324,993)
Depreciation and loss on disposal of assets		10,451	9,916
Losses/(Gains) on investments		(3,590,658)	1,690,445
Dividends and interest from investments		(732,979)	(680,546)
Decrease/(Increase) in debtors		22,655	(18,585)
(Decrease)/Increase in creditors		(932,437)	103,604
<b>Net cash used in operating activities</b>		<u><u>(1,724,216)</u></u>	<u><u>(220,159)</u></u>

**Analysis of changes in net funds**

	Opening balance £	Cash flows £	Closing balance £
Cash at bank and in hand	<u>435,396</u>	<u>56,504</u>	<u>491,900</u>
<b>Net funds</b>	<u><u>435,396</u></u>	<u><u>56,504</u></u>	<u><u>491,900</u></u>

The notes on pages 22 to 31 form an integral part of these financial statements.

## **Notes to the financial statements** **for the year ended 31 March 2024**

### **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 Company and 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:

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.

## **Notes to the financial statements** **for the year ended 31 March 2024**

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 or 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.

### **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 527m<sup>3</sup> 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 (~39m<sup>3</sup>) 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.

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:

## **Notes to the financial statements** **for the year ended 31 March 2024**

- In 2022, 370 hoppus feet (~13m<sup>3</sup>) 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 (~108m<sup>3</sup>) of unseasoned oak was donated by HS2. This timber is being stored at a yard in the Midlands awaiting conversion and seasoning. Again, it is 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:

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.

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.

**Notes to the financial statements**  
**for the year ended 31 March 2024**

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.

**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.

Once the restoration project is complete a revaluation of the ship will be undertaken.

**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**

<b>Estimate</b>	<b>Assumption</b>
<b>Valuation of HMS Victory</b>	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.
<b>Valuation, being the deemed cost, of seasoned timber</b>	<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>

**Notes to the financial statements  
for the year ended 31 March 2024**

**2. Investment income**

	Unrestricted funds £	Endowment funds £	2024 Total £	Unrestricted funds £	Endowment funds £	2023 Total £
Income from listed investments	141,964	591,015	732,979	446,138	234,408	680,546

**3. Costs of charitable activities - by fund type**

	HMS Victory Unrestricted funds £		2024 Total £	HMS Victory Unrestricted funds £		2023 Total £
		HMS Victory Preservation Trust £			HMS Victory Preservation Trust £	
HMS Victory Preservation	684,415	10,451	694,866	113,851	9,916	123,767

**4. Costs of charitable activities - by activity**

	Activities undertaken directly £	Governance and support costs £	2024 Total £	2023 Total £
HMS Victory Preservation	2,095	27,771	29,866	26,688
Grant to NMRN Operations (Charity 1169061)	665,000	-	665,000	97,079
	667,095	27,771	694,866	123,767

**5. Analysis of governance and support costs**

	2024 Total £	2023 Total £
Depreciation and impairment	10,451	9,916
Accountancy fees	2,400	2,430
Auditor remuneration	9,422	5,677
Trustee recruitment	-	1,155
Trustee expenses	5,498	-
	27,771	19,178

**6. Employees**

There were no employees directly employed by the charity in the period.

No Trustees received remuneration during the period. Six Trustees were reimbursed for travel expenses totalling £2,104 (2023: Five Trustees were reimbursed for travel expenses totalling £934).

**7. Taxation**

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

Notes to the financial statements  
for the year ended 31 March 2024

8. Fixed assets – Tangible assets

	Fixtures, fittings and equipment £	Timber £	Total £
<b>Cost or valuation</b>			
At 1 April 2023	247,915	6,692,439	6,940,354
Revaluation	13,364	-	13,364
At 31 March 2024	<u>261,279</u>	<u>6,692,439</u>	<u>6,953,718</u>
<b>Depreciation</b>			
At 1 April 2023	109,083	-	109,083
Charge for the year	10,451	-	10,451
Revaluation	5,880	-	5,880
At 31 March 2024	<u>125,414</u>	<u>-</u>	<u>125,414</u>
<b>Net book values</b>			
At 31 March 2024	<u>135,865</u>	<u>6,692,439</u>	<u>6,828,304</u>
At 31 March 2023	<u>138,832</u>	<u>6,692,439</u>	<u>6,831,271</u>

9. Fixed assets – Heritage assets

	HMS Victory £	Total £
<b>Valuation and Net book value</b>		
At 1 April 2023 and 31 March 2024	<u>19,375,000</u>	<u>19,375,000</u>
	<b>At cost £</b>	<b>At valuation £</b>
Carrying amount at 1 April 2023 and 31 March 2024	<u>-</u>	<u>19,375,000</u>
	<b>Total £</b>	<b>Total £</b>
	<u>-</u>	<u>19,375,000</u>

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

<b>Cost or valuation</b>	<b>2024 £</b>	<b>2023 £</b>	<b>2022 £</b>	<b>2021 £</b>	<b>2020 £</b>
<u>Additions</u>					
Purchases	-	-	-	-	-
Donations	-	-	-	-	-
<u>Disposals</u>	-	-	-	-	-

Notes to the financial statements  
for the year ended 31 March 2024

10. Fixed assets – Investments

Valuation	Listed investments £	Total £
At 1 April 2023	41,805,454	41,805,454
Additions	591,016	591,016
Disposals	(1,485,482)	(1,485,482)
Gains and losses before management fees	3,590,658	
Less management fees deducted	(153,275)	
Net increase in investment market value	<u>3,437,383</u>	<u>3,437,383</u>
At 31 March 2024	<u><u>44,348,371</u></u>	<u><u>44,348,371</u></u>

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:

		2024 £	2023 £
<u>UK</u>	UK government and fixed interest securities	1,853,883	797,682
	UK bonds	1,446,215	1,189,375
	UK equities	3,694,081	3,314,395
	Others	4,165,621	5,369,431
	Capital account	74,714	952,351
		<u>11,234,514</u>	<u>11,623,234</u>
<u>Overseas</u>	Fixed interest	1,269,778	1,791,342
	International bonds	1,315,376	1,389,775
	International equities	27,516,781	23,267,196
	Others	3,011,922	3,733,907
		<u>33,113,857</u>	<u>30,182,220</u>
		<u><u>44,348,371</u></u>	<u><u>41,805,454</u></u>

11. Debtors

	2024 £	2023 £
Accrued income	<u>1,232</u>	<u>23,887</u>

Notes to the financial statements  
for the year ended 31 March 2024

12. Creditors: amounts falling due within one year

	2024	2023
	£	£
Amounts owed to group companies	140	819,029
Other creditors	-	106
Accruals and deferred income	41,200	154,642
	<u>41,340</u>	<u>973,777</u>

13. Analysis of net assets between funds

	HMS Victory			2024
	Unrestricted	Preservation Trust	Endowment	Total
	funds	Trust	funds	funds
	£	£	£	£
Fund balances at 31 March 2024 as represented by:				
Tangible fixed assets	44,420	6,783,884	-	6,828,304
Heritage assets	-	19,375,000	-	19,375,000
Investment assets	-	-	44,348,371	44,348,371
Current assets	493,132	-	-	493,132
Current liabilities	(14,381)	-	(26,959)	(41,340)
	<u>523,171</u>	<u>26,158,884</u>	<u>44,321,412</u>	<u>71,003,467</u>
Unrealised gains included in tangible fixed assets	-	60,075	-	60,075

	HMS Victory			2023
	Unrestricted	Preservation Trust	Endowment	Total
	funds	Trust	funds	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

Notes to the financial statements  
for the year ended 31 March 2024

14. Restricted funds

	At 1 April 2023 £	Outgoing resources £	Gains and losses £	At 31 March 2024 £
HMS Victory Preservation Trust	26,161,851	(10,451)	7,484	26,158,884

	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

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.

15. Endowment funds

	At 1 April 2023 £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	At 31 March 2024 £
Endowment Fund	35,091,585	496,453	(109,216)	(1,247,805)	3,016,153	37,247,170
Catalyst Endowment Fund	6,663,655	94,562	(20,803)	(237,677)	574,505	7,074,242
	<u>41,755,240</u>	<u>591,015</u>	<u>(130,019)</u>	<u>(1,485,482)</u>	<u>3,590,658</u>	<u>44,321,412</u>

	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>

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

## Notes to the financial statements for the year ended 31 March 2024

### 16. 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.

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.

### 17. 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 (2023: None).

### 18. Revaluation reserve

	2024	2023
	£	£
At 1 April 2023	52,591	36,727
Movement in reserves	7,484	15,864
At 31 March 2024	<u>60,075</u>	<u>52,591</u>

**THE HMS VICTORY PRESERVATION COMPANY**

England & Wales - Charity number 1146376

---

# Accounts

---

**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**

---

## Contents

Legal and administrative information .....	3
Trustees' annual report (incorporating the directors' report).....	4
Statement from the Chair of Trustees .....	5
Performance Report.....	6
Accountability Report .....	12
Statement of Trustees' and Accounting Officer's responsibilities.....	15
Independent Auditor's report to the Trustees of The HMS Victory Preservation Company.....	16
Statement of financial activities (incorporating the income and expenditure account).....	19
Balance sheet .....	20
Cash flow statement .....	21
Notes to the financial statements.....	21

## Legal and administrative information

<b>Charity number</b>	1146376
<b>Company registration number</b>	07935358
<b>Registered office</b>	HM Naval Base (PP66) Portsmouth Hampshire PO1 3NH
<b>Director General and Accounting Officer</b>	Matthew Sheldon (appointed 1 December 2023) Dominic Tweddle (resigned 30 November 2023)
<b>Trustees</b>	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)
<b>Company Secretary</b>	Nichola Tregear
<b>Accountants</b>	Compass Accountants Venture House, The Tanneries, East Street, Titchfield Hampshire PO14 4AR
<b>Auditors</b>	PKF Littlejohn LLP 15 Westferry Circus, Canary Wharf, London, E14 4HD
<b>Bankers</b>	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 nc<sup>2</sup> 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.

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

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:

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

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

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**

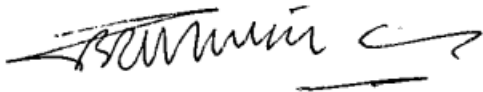
**The HMS Victory Preservation Company**  
**(A company limited by guarantee)**  
**Company number: 07935358**

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



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

**Date: 19<sup>th</sup> December 2023**



**Matthew Sheldon**  
**Director General and Accounting Officer**

**Date: 19<sup>th</sup> 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.

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

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 18<sup>th</sup> 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 18<sup>th</sup> 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.

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

**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: 19<sup>th</sup> December 2023**



**Matthew Sheldon**  
**Director General and Accounting Officer**

**Date: 19<sup>th</sup> 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](http://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.



**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

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

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

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**

	Notes	2023		2022	
		£	£	£	£
<b>Fixed assets</b>					
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			<u>68,011,725</u>		<u>68,786,990</u>
<b>Current assets</b>					
Debtors	14	23,887		5,302	
Cash at bank and in hand		435,396		884,241	
Total current assets		<u>459,283</u>		<u>889,543</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(973,777)</u>		<u>(870,173)</u>	
<b>Net current assets</b>			<u>(514,494)</u>		<u>19,370</u>
<b>Net assets</b>			<u>67,497,231</u>		<u>68,806,360</u>
<b>Funds</b>					
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		<u>26,161,851</u>		<u>26,155,903</u>
Endowment funds	18		<u>41,755,240</u>		<u>42,537,195</u>
<b>Total funds</b>			<u>67,497,231</u>		<u>66,806,360</u>

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: 19<sup>th</sup> 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 £
<b>Cash flows from operating activities:</b>			
<b>Net cash used in operating activities</b>		(220,159)	(208,256)
<b>Cash flows from investing activities</b>			
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
<b>Cash used in investing activities</b>		<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>
<b>Cash and cash equivalents at the end of the year</b>		<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
<b>Net cash used in operating activities</b>		<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 527m<sup>3</sup> 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 (~39m<sup>3</sup>) 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 (~13m<sup>3</sup>) 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 (~108m<sup>3</sup>) 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**

<b>Valuation, being the deemed cost, of seasoned timber</b>	<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>
---	--

**2. Donations**

	<b>Unrestricted funds £</b>	<b>2023 Total £</b>	<b>Unrestricted funds £</b>	<b>2022 Total £</b>
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**

	<b>Unrestricted funds £</b>	<b>Endowment funds £</b>	<b>2023 Total £</b>	<b>Unrestricted funds £</b>	<b>Endowment funds £</b>	<b>2022 Total £</b>
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**

	<b>Endowment funds £</b>	<b>2023 Total £</b>	<b>Endowment funds £</b>	<b>2022 Total £</b>
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

	HMS Victory		2023	HMS Victory		2022
	Unrestricted	Preservation	Total	Unrestricted	Preservation	Total
	funds	Trust		funds	Trust	
	£	£	£	£	£	£
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	Governance	2023	2022
	undertaken	and support	Total	Total
	directly	costs		
	£	£	£	£
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	2022
	Total	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	5,677	3,723
	<u>15,593</u>	<u>14,474</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 £
<b>Cost or valuation</b>				
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	<u>-</u>	<u>247,915</u>	<u>6,692,439</u>	<u>6,940,354</u>
<b>Depreciation</b>				
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	<u>-</u>	<u>109,083</u>	<u>-</u>	<u>109,083</u>
<b>Net book values</b>				
At 31 March 2023	<u>-</u>	<u>138,832</u>	<u>6,692,439</u>	<u>6,831,271</u>
At 31 March 2022	<u>-</u>	<u>132,884</u>	<u>6,692,439</u>	<u>6,825,323</u>

**12. Fixed assets - Heritage assets**

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

**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.

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

**13. Fixed assets - Investments**

	<b>Listed investments</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>Valuation</b>		
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	<u>(193,255)</u>	
Net increase in investment market value	(1,883,700)	(1,883,700)
At 31 March 2023	<u>41,805,454</u>	<u>41,805,454</u>
Historical cost as at 31 March 2023	<u>32,772,332</u>	<u>32,772,332</u>
Historical cost as at 31 March 2022	<u>31,669,845</u>	<u>31,669,845</u>

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:

		<b>2023</b>	<b>2022</b>
		<b>£</b>	<b>£</b>
<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**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Accrued income	23,887	5,302

**15. Creditors: amounts falling due within one year**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
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**

	<b>HMS Victory</b>			<b>2023</b>
	<b>Unrestricted</b>	<b>Preservation Trust</b>	<b>Endowment</b>	<b>Total</b>
	<b>funds</b>	<b>Trust</b>	<b>funds</b>	<b>funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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**

	<b>HMS Victory</b>			<b>2022</b>
	<b>Unrestricted</b>	<b>Preservation Trust</b>	<b>Endowment</b>	<b>Total</b>
	<b>funds</b>	<b>Trust</b>	<b>funds</b>	<b>funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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**

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

**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**

	<b>2023</b>	<b>2022</b>
	£	£
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>

**THE HMS VICTORY PRESERVATION COMPANY**

England & Wales - Charity number 1146376

---

# Accounts

---

**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 2022**

---

## Contents

Legal and administrative information .....	3
Trustees' annual report (incorporating the directors' report).....	4
Statement from the Chair of Trustees .....	5
Performance Report.....	6
Accountability Report .....	12
Statement of Trustees' and Accounting Officer's responsibilities.....	15
Independent Auditor's report to the Trustees of The HMS Victory Preservation Company.....	16
Statement of financial activities (incorporating the income and expenditure account).....	19
Balance sheet.....	20
Cash flow statement .....	21
Notes to the financial statements.....	22

## Legal and administrative information

<b>Charity number</b>	1146376
<b>Company registration number</b>	07935358
<b>Registered office</b>	HM Naval Base (PP66) Portsmouth Hampshire PO1 3NH
<b>Director General and Accounting Officer</b>	Professor Dominic Tweddle
<b>Trustees</b>	Admiral of the Fleet The Lord Boyce (Resigned 25 May 2021) Vice Admiral Sir Charles Montgomery KBE Vice Admiral Sir Tim Laurence (resigned 24 November 2021) Ms Rosemary Banyard Mr Mark Caroe Mr William Ferris (appointed 15 October 2021, resigned 29 September 2022) Mrs Barbara Halliday Rear Admiral James Higham Rear Admiral Amjad Hussain Mr Andrew Impey (appointed 15 October 2021) Ms Helen Jackson Mr Jamie Matheson Mrs Mary Montagu-Scott Rear Admiral Richard Stokes Dr Matthew Tanner (appointed 20 October 2021)
<b>Company Secretary</b>	Mrs Nichola Tregear (appointed 12 November 2021) Captain John Rees (resigned 12 November 2021)
<b>Accountants</b>	Compass Accountants Venture House, The Tanneries, East Street, Titchfield Hampshire PO14 4AR
<b>Auditors</b>	PKF Littlejohn LLP 15 Westferry Circus, Canary Wharf, London, E14 4HD
<b>Bankers</b>	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 for The HMS Victory Preservation Company, which holds the ship on Trust.

In 1812-14, HMS Victory ended her 47 tumultuous years of active service in the Royal Navy. The ship enjoys iconic, national and international status as Vice Admiral Lord Nelson's flagship at the Battle of Trafalgar and the place where this victorious hero perished. HMS Victory was preserved afloat until 1922 when, after a successful national campaign supported by HM King George V, she was brought into dry dock; underwent a major cycle of repair to be fully refurbished once again; was preserved as the national memorial; and opened to the public.

A hundred years later the ship is undergoing yet another major campaign of conservation to preserve her precious fabric. The work is led by HMS Victory Preservation Company. To meet the highest conservation standards the approach so far has been measured. Time has been taken to understand the fabric of the ship. The date of each and every piece of wood, when and where it was placed in the ship is now understood - even what colour it was originally painted. So is how the structure has moved and distorted over time. An engineering model has been developed, allowing the effect of interventions in the fabric to be thoroughly tested before they are made. The Company has agreed much ground-breaking scientific work to allow an understanding of how the ship is gradually decaying and why. From all of this data a new support system for the vessel has been designed and installed. It has arrested movements in the hull and allowed much reduced flow of rainwater through the fabric – the source of so much of the degradation.

The Company is poised to initiate the major conservation programme. This year has been one of meticulous planning and preparation before committing to a twelve-year programme of conservation at an estimated cost of £35m. Some of that preparation has been nail biting, particularly the careful removal of Victory's mainmast.

It remains of overriding importance to the Trustees that public access to the ship is retained throughout our work, thus delivering on the Company's public benefit objectives. Despite the impact of COVID, which forced periodic closure, Trustees have pressed on to develop and deliver an experience that enhances public benefit. A dock bottom walkway has been provided to enable visitors to walk beneath the hull of Victory. For the first time they can witness the scale and complexity of her structure, and its striking form, from underneath. They can also see at close quarters the historic 18th-century dock in which she sits. In partnership with the Society for Nautical Research the Trustees have led the significant redevelopment of the Sir Donald Gosling Victory Gallery, which tells the long history of HMS Victory. It does so in a fresh, engaging and exciting way, with a number of new objects and insights.

As the main conservation programme begins, visitors will be able to access the working platforms to see the skilled shipwrights, conservators, archaeologists and historians in action. A growing, multi-talented, diverse team works both on the ship and behind the scenes. The Trustees are absolutely confident that seeing conservation in action on the ship - in all its forms - will grip the public imagination; it will engage, educate and inspire. Since the period covered by this report it has already done so.

The Company continues to work closely with the Royal Navy to ensure that this commissioned warship plays a full role as the flagship of the fleet, known, appreciated and used by as many Royal Navy people as possible. Her importance and significance is underlined by the annual Trafalgar Commemoration. 207 years on it remembers Nelson and his achievement, bringing together the Royal Navy, Portsmouth City, the region and the wider Museum community in a moment of reflection. The Service is now live streamed to the nation and wider.

I am also pleased to report that the Board of Trustees have determined to enhance the way in which it meets its Charitable Objects, and their outcomes. It is well resourced to do so, including the management of the risks that working on such a historic ship inevitably entail. It is setting and assuring the delivery of the highest

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

standards of maintenance and their authenticity; and will strive to find new ways of continually improving the visitor experience.



**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 £42,537,195 on the 31 March 2022.

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 to approach the conservation of the Ship in accordance with those principles set out in the National Historic Ships UK publication Conserving Historic Vessels. Efforts in the year have been concentrated in the areas of stabilisation and developing the conservation approach. The current focus is now the conservation work required on the ship’s hull which is now heavily degraded in many places.

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.

Work to further refine the CPP has been progressed by NMRN Operations and reviewed by the Victory Technical Committee. Since 2015, further tests and experimentation relating to the materials to be used for conservation works have been undertaken. This programme, having been delayed in 2020 as a result of the pandemic, was continued through 2021, contributing to a revised iteration of the CPP which was endorsed by the Trustees in November 2021. The implementation of the CPP is expected to take twelve years at an estimated cost of £35 million.

HMS Victory was closed to the public from 18 December 2020 to 16 May 2021 in response to Government guidance regarding the COVID-19 pandemic. Maintenance and conservation of the ship by NMRN Operations continued during the close down period, albeit with some delays. Significant achievements that were made include:

**Installation of the new Support System** – following the successful implementation of the support system in the previous period, the ship is fully settled and monthly structural analysis is undertaken to monitor its position. The new support system, has addressed this long-standing stabilisation issue, and allowed large-scale conservation work to begin. The overall cost of stabilisation was £13.2 million. The programme of work continued during 2021-22 and a study commenced to recommend the optimum through-life support strategy, including integrating the various deflection readings and systems into a single coherent programme.

**Mainmast removal** – the lower main mast was successfully lifted from the Ship in May 2021 to allow conservation work to begin. Close inspection of the mast and surrounding area revealed extensive corrosion and significant technical expertise was required to support its removal. As with tradition, an old farthing was discovered under the mast, which can now be seen on display within the Victory Gallery. Investigation, laser scanning and conservation works are in the planning stages on the lower mainmast

**Materials Trials** – testing commenced 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 nc<sup>2</sup> 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 will be combined with the laboratory results from materials trials when down-selecting the products to be used for re-planking the ship.

**Workshop Upgrades** – to support the delivery of the 12-year conservation plan, upgrades to the workshops were required and work progressed during 2021-22 to procure suitable contractors to redesign the space. The redesigned area, to be completed in 2022-23, will allow critical quality control procedures for the production of laminating oak and for the smooth supply chain flow from the timber supplier.

**The Sir Donald Gosling Victory Gallery** – successfully opened 17 May 2021 and received a good level of media coverage.

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

The new Sir Donald Gosling Victory Gallery tells the Ship's story 'from acorn to icon'. The gallery uses a mixture of large format cinematic film and interactives with construction and conservation as major themes, drawing comparisons between ship building skills 200 years ago and today. It displays previously unseen objects from the Ship, including a section of HMS Victory's original mainmast, damaged at the Battle of Trafalgar, which is on display in an exhibition for the first time in Portsmouth. New artwork has been purchased to further enhance the visual engagement, including the Death of Nelson by Matter Brown, representing the moment in which the story of the preservation of HMS Victory began.

The new walkway through Victory's dry dock continues to provide another dimensional view of the ship, building on public engagement and understanding of HMS Victory's story. 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.

NMRN Operations has enabled formal school visits to return to HMS Victory following their suspension over the pandemic, with a focus on a new offer. School visitors to the Ship are able to access enhanced materials to support Discovery visits (self-guided visits to the ship) through trails to scaffold learning or through Discovery backpacks to support deeper and more targeted learning. Discovery boxes are available for pupils to access in the Nelson Gallery and the Victory Gallery and an HMS Victory loans box for schools is available. 6,665 participants have taken part in schools visits since the Ship and National Museum reopened May 2021.

As well as supported self-guided visits, pupils accessing the Portsea Sailors Literacy Hub have been able to use the Victory Gallery as a source of inspiration to improve literacy. This initiative has had a profound and positive impact upon the literacy skills of the pupils involved, with them making three times the expected rate of progress in just three months.

A joined submission research paper that looked at 'using high-resolution digital photography and micro – CT scanning to investigate deathwatch beetle damage to historic timber from HMS Victory was submitted for publication. The research was undertaken with the National Museum, PhD students and lecturers. The paper identified challenges of managing the damage caused by the deathwatch beetle and how digital techniques can support and reduce its impact on damaging the timber. The paper will be available for the heritage sector and other industries to learn from the research and testing undertaken to support conservation works.

HMS Victory also supported a PhD graduate research paper on investigating fungal activity onboard HMS Victory and potential application of magnesium oxide nanoparticles in its amelioration. The research paper was published during 2021 and explains the threat to the timber.

### ***Supporting the Royal Navy***

As the First Sealord'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 71 tours of the Ship and 26 ceremonial presentations and events, including the supercession ceremonies for the new First Sea Lord, Admiral Sir Ben Key and the new Second Sea Lord and Admiral-In-Charge, Vice Admiral Martin Connell.

### ***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. As in every year, HMS Victory hosted a ceremony led by the Second Sea Lord. This 2021 ceremony was broadcast online via the Facebook Live platform, enabling it to reach a wide, diverse audience.

### **Plans for Future Periods**

2022-23 will see the start of the physical conservation work to the ship, including:

**Scaffolding** – to support the re-planking process, a scaffold structure is required to provide a dry environment, protected from weather and within which HMS Victory’s timber can be dried. It will provide access for shipwrights to carry out work of removing and reinstating planking and the provision of public access to view works underway. The scaffold work was completed in September 2022.

**Hull Planking** – following the material trials and the current state of the ships material, significant hull re-planking is required. Timber specialists will be 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.

Expenditure for the coming period will be grant funding to NMRN Operations to deliver the preservation project and the Ship’s operation for the public benefit, governance costs and investment management costs. Grants 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 charitable company holds substantial endowments, and with the support of the HMS Victory Preservation Endowment Fund, its 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 2022***

Total incoming resources for the HMS Victory Preservation Company in 2021-22 amounted to £597,317 (2020-21: £380,131). This inflow related to investment income and interest and to voluntary donations, including a gift of timber.

Total resources expended for 2021-22 amounted to £1,047,304 (2020-21: £392,661). This outflow related to grants awarded to NMRN Operations for delivery of the conservation project, and investment management and governance costs.

After net gains on investments of £2,595,264 (2020-21: £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 £5,043 (2020-21: £1,138), the net movement in funds for the year was an increase of £2,150,320 (2020-21: £6,401,430).

### ***Balance sheet***

The net assets as at 31 March 2022 amounted to £68,806,360 (31 March 2021: £66,656,040). Of this total, £113,262 related to unrestricted funds (2020-21: £606,855), £42,537,195 related to endowment funds (2020-21: £39,887,574), and £26,155,903 are the assets (the ship itself, the stock and the revaluation reserve) of the HMS Victory Preservation Trust (2020-21: £26,161,611).

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 2022, the level of the company's free reserves stood at £68,842.

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 £42,537,195 on the 31 March 2022. 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 investment objective for the period was to generate a total return of CPI plus 4% per annum over the long term.

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 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. 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.

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

### **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**  
**On Behalf of the Board of Trustees**

**Date: 30<sup>th</sup> January 2023**



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

**Date: 30<sup>th</sup> January 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 National Museum's Director General and Accounting Officer and to the Executive Directors.

A formal induction process for Trustees is in place which combines all the necessary background reading material including items such as the Articles of Association, copies of minutes of recent meetings, a copy of the Charity Commission publication, "The Essential Trustee: what you need to know", a copy of the National Museum's strategy, the 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.

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

The subcommittees of the Board include:

### ***Investment Committee***

This committee aims to meet twice a year to develop and recommend 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.

### ***Technical Committee***

This committee meets as required, to construct and periodically review a 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. It constructs a detailed plan of work, derived from the strategic plan, and oversees the construction and implementation of the conservation management strategy and plan. The 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.

### ***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 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.

### ***Appointment and Nomination Committee***

The committee meets as required to 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.

### ***Communication and Engagement Committee***

The committee meets as required and to support the 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 2021-22. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information which links an

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

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 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 oversee the strategic plan for the repair, refurbishment and conservation of HMS Victory providing best international practice, technical advice and professional expertise in the conservation of 18<sup>th</sup> 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.

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

**Statement of Trustees' and Accounting Officer's responsibilities**  
**for the year ended 31 March 2022**

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**  
**On Behalf of the Board of Trustees**

**Date: 30<sup>th</sup> January 2023**



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

**Date: 30<sup>th</sup> January 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 2022 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 2022 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](http://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.



**PKF Littlejohn LLP**  
**Statutory Auditor**

15 Westferry Circus  
Canary Wharf  
London E14 4HD

Date: 30 January 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

**Statement of financial activities (incorporating the income and expenditure account)  
for the year ended 31 March 2022**

		HMS Victory				HMS Victory			
	Notes	Unrestricted funds £	Preservation Trust £	Endowment funds £	2022 Total £	Unrestricted funds £	Preservation Trust £	Endowment funds £	2021 Total £
<b>Income and endowments from:</b>									
Donations	2	45,860	-	-	45,860	1,475	-	-	1,475
Investments	3	292,631	-	258,826	551,457	298,819	-	79,837	378,656
<b>Total income and endowments</b>		<u>338,491</u>	<u>-</u>	<u>258,826</u>	<u>597,317</u>	<u>300,294</u>	<u>-</u>	<u>79,837</u>	<u>380,131</u>
<b>Expenditure on:</b>									
Investment management costs	4	-	-	204,469	204,469	-	-	147,120	147,120
Charitable activities:									
HMS Victory Preservation	5 / 6	832,084	10,751	-	842,835	233,245	12,296	-	245,541
<b>Total expenditure</b>		<u>832,084</u>	<u>10,751</u>	<u>204,469</u>	<u>1,047,304</u>	<u>233,245</u>	<u>12,296</u>	<u>147,120</u>	<u>392,661</u>
Net gains/(losses) on investments		-	-	2,595,264	2,595,264	-	-	6,412,822	6,412,822
<b>Net (expenditure)/income</b>		<u>(493,593)</u>	<u>(10,751)</u>	<u>2,649,621</u>	<u>2,145,277</u>	<u>67,049</u>	<u>(12,296)</u>	<u>6,345,539</u>	<u>6,400,292</u>
<b>Transfers between funds</b>		-	-	-	-	-	-	-	-
<b>Other recognised gains/(losses)</b>									
Gains/(losses) on revaluation of fixed assets	11	-	5,043	-	5,043	-	1,138	-	1,138
<b>Net movement in funds</b>		<u>(493,593)</u>	<u>(5,708)</u>	<u>2,649,621</u>	<u>2,150,320</u>	<u>67,049</u>	<u>(11,158)</u>	<u>6,345,539</u>	<u>6,401,430</u>
<b>Reconciliation of funds:</b>									
Total funds brought forward		606,855	26,161,611	39,887,574	66,656,040	539,806	26,172,769	33,542,035	60,254,610
<b>Total funds carried forward</b>		<u>113,262</u>	<u>26,155,903</u>	<u>42,537,195</u>	<u>68,806,360</u>	<u>606,855</u>	<u>26,161,611</u>	<u>39,887,574</u>	<u>66,656,040</u>

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

The notes on pages 22 to 33 form an integral part of these financial statements.

**Balance sheet**  
**as at 31 March 2022**

	Notes	2022		Restated 2021	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	11		6,825,323		6,786,611
Heritage assets	12		19,375,000		19,375,000
Investments	13		42,586,667		39,930,481
Total fixed assets			<u>68,786,990</u>		<u>66,092,092</u>
<b>Current assets</b>					
Debtors	14	5,302		10,361	
Cash at bank and in hand		884,241		601,962	
Total current assets		<u>889,543</u>		<u>612,323</u>	
<b>Creditors: amounts falling due within one year</b>					
	15	(870,173)		(48,375)	
<b>Net current assets</b>			<u>19,370</u>		<u>563,948</u>
<b>Net assets</b>			<u><u>68,806,360</u></u>		<u><u>66,656,040</u></u>
<b>Funds</b>					
Unrestricted funds			113,262		606,855
HMS Victory Preservation Trust:					
HMS Victory Preservation Trust funds		26,119,176		26,129,926	
Revaluation reserve		36,727		31,685	
Total HMS Victory Preservation Trust funds	17		<u>26,155,903</u>		<u>26,161,611</u>
Endowment funds	18		<u>42,537,195</u>		<u>39,887,574</u>
<b>Total funds</b>			<u><u>68,806,360</u></u>		<u><u>66,656,040</u></u>

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**  
**Director, on behalf of the Board of Trustees**

**Date: 30<sup>th</sup> January 2023**

**Cash flow statement  
for the year ended 31 March 2022**

	Notes	2022 £	<i>Restated</i> 2021 £
<b>Cash flows from operating activities:</b>			
<b>Net cash used in operating activities</b>		(208,256)	(384,510)
<b>Cash flows from investing activities</b>			
Dividend and interest income		551,457	378,656
Purchase of investments		(258,826)	(79,837)
Disposal of investments		-	-
Disposal of tangible fixed assets			2,520
Adjustment for non-cash fees deducted from gains/losses		197,904	164,048
<b>Cash used in investing activities</b>		<u>490,535</u>	<u>465,387</u>
Increase/(decrease) in cash and cash equivalents in the year	20	<u>282,279</u>	<u>80,877</u>
Cash and cash equivalents at the beginning of the year		<u>601,962</u>	<u>521,085</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><u>884,241</u></u>	<u><u>601,962</u></u>
Net income/(expenditure) for the reporting period (as per the statement of financial activities)		2,145,277	6,400,292
Depreciation and loss on disposal of assets		10,751	10,436
(Gains)/losses on investments		(2,595,264)	(6,412,822)
Dividends and interest from investments		(551,457)	(378,656)
Donations of tangible fixed assets		(44,420)	-
Decrease/(increase) in debtors		5,059	15,449
Increase/(decrease) in creditors		821,798	(19,209)
<b>Net cash used in operating activities</b>		<u><u>(208,256)</u></u>	<u><u>(384,510)</u></u>

The notes on pages 22 to 33 form an integral part of these financial statements.

## **Notes to the financial statements** **for the year ended 31 March 2022**

### **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 2022**

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 527m<sup>3</sup> 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 (~39m<sup>3</sup>) 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 2022**

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 (~13m<sup>3</sup>) 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 (~108m<sup>3</sup>) of unseasoned oak was donated by HS2. This timber is being stored at a yard in the Midlands awaiting conversion and seasoning. Again, it is 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 2022**

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. Restatement of comparative information**

Comparative information for 2021 has been restated to reflect the change in accounting policy for donated timber, resulting in a reclassification of timber from stock to tangible fixed assets.

Notes to the financial statements  
for the year ended 31 March 2022

1.13. 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, 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>

2. Donations

	Unrestricted funds	2022 Total	Unrestricted funds	2021 Total
	£	£	£	£
Other donations	1,440	1,440	1,475	1,475
Gift of timber	44,420	44,420	-	-
	<u>45,860</u>	<u>45,860</u>	<u>1,475</u>	<u>1,475</u>

3. Investments

	Unrestricted funds	Endowment funds	2022 Total	Unrestricted funds	Endowment funds	2021 Total
	£	£	£	£	£	£
Income from listed investments	292,631	258,826	551,457	298,819	79,837	378,656
	<u>292,631</u>	<u>258,826</u>	<u>551,457</u>	<u>298,819</u>	<u>79,837</u>	<u>378,656</u>

4. Investment management costs

	Endowment funds	2022 Total	Endowment funds	2021 Total
	£	£	£	£
Investment management fees	204,469	204,469	147,120	147,120
	<u>204,469</u>	<u>204,469</u>	<u>147,120</u>	<u>147,120</u>

Notes to the financial statements  
for the year ended 31 March 2022

5. Costs of charitable activities - by fund type

	HMS Victory			HMS Victory		
	Unrestricted	Preservation	2022	Unrestricted	Preservation	2021
	funds	Trust	Total	funds	Trust	Total
	£	£	£	£	£	£
HMS Victory Preservation	832,084	10,751	842,835	233,245	12,296	245,541
	<u>832,084</u>	<u>10,751</u>	<u>842,835</u>	<u>233,245</u>	<u>12,296</u>	<u>245,541</u>

6. Costs of charitable activities - by activity

	Activities	Governance	2022	2021
	undertaken	and support	Total	Total
	directly	costs	Total	Total
	£	£	£	£
HMS Victory Preservation	14,458	19,019	33,477	17,541
Grant to NMRN Operations (Charity 1169061)	809,358	-	809,358	228,000
	<u>823,816</u>	<u>19,019</u>	<u>842,835</u>	<u>245,541</u>

7. Analysis of governance and support costs

	2022	2021
	Total	Total
	£	£
Depreciation and impairment	8,859	10,436
Loss on disposal of fixed assets	1,892	-
Accountancy fees	2,430	2,430
Auditor remuneration	3,723	3,028
Legal & professional fees	-	(1,465)
Trustee recruitment	2,115	-
	<u>19,019</u>	<u>14,429</u>

8. Net incoming resources for the year

	2022	2021
	£	£
Net incoming resources is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	10,751	10,436
Auditors' remuneration	3,723	3,028
	<u>14,474</u>	<u>13,464</u>

9. Employees

No salaries or wages have been paid to employees, including the trustees, during the year. Trustees travel expenses for four Trustees totalled £968 (2021: £592).

Notes to the financial statements  
for the year ended 31 March 2022

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 £
<b>Cost or valuation</b>				
At 1 April 2021 ( <i>Restated</i> )	31,850	213,595	6,648,019	6,893,464
Additions	-	-	44,420	44,420
Revaluation	-	7,880	-	7,880
Disposals	(25,548)	-	-	(25,548)
At 31 March 2022	<u>6,302</u>	<u>221,475</u>	<u>6,692,439</u>	<u>6,920,216</u>
<b>Depreciation</b>				
At 1 April 2021	29,956	76,897	-	106,853
Charge for the year	2	8,857	-	8,859
Revaluation	-	2,837	-	2,837
Disposals	(23,656)	-	-	(23,656)
At 31 March 2022	<u>6,302</u>	<u>88,591</u>	<u>-</u>	<u>94,893</u>
<b>Net book values</b>				
At 31 March 2022	<u>-</u>	<u>132,884</u>	<u>6,692,439</u>	<u>6,825,323</u>
At 31 March 2021	<u>1,894</u>	<u>136,698</u>	<u>6,648,019</u>	<u>6,786,611</u>

12. Fixed assets - Heritage assets

	HMS Victory £	Total £
<b>Valuation</b>		
At 1 April 2021 and At 31 March 2022	<u>19,375,000</u>	<u>19,375,000</u>
<b>Net book values</b>		
At 31 March 2022	<u>19,375,000</u>	<u>19,375,000</u>
At 31 March 2021	<u>19,375,000</u>	<u>19,375,000</u>
	<b>At cost</b>	<b>At valuation</b>
	£	£
Carrying amount at 1 April 2021 and 31 March 2022	<u>-</u>	<u>19,375,000</u>
	£	£
	<u>-</u>	<u>19,375,000</u>

**Notes to the financial statements  
for the year ended 31 March 2022**

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

<b>Cost or valuation</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<u>Additions</u>					
Purchases	-	-	-	-	-
Donations	-	-	-	-	-
<u>Disposals</u>	-	-	-	-	-

**13. Fixed assets - Investments**

	<b>Listed investments</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>Valuation</b>		
At 1 April 2021	39,930,481	39,930,481
Additions	258,826	258,826
Gains and losses before management fees	2,595,264	
Less management fees deducted	(197,904)	
Net increase in investment market value	<u>2,397,360</u>	<u>2,397,360</u>
At 31 March 2022	<u><u>42,586,667</u></u>	<u><u>42,586,667</u></u>
Historical cost as at 31 March 2022	<u><u>31,669,845</u></u>	<u><u>31,669,845</u></u>
Historical cost as at 31 March 2021	<u><u>31,411,019</u></u>	<u><u>31,411,019</u></u>

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:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<u>UK</u>		
UK government and fixed interest securities	803,539	729,227
UK bonds	-	657,358
UK equities	4,498,341	4,549,642
Others	3,819,084	4,062,522
Capital account	1,032,103	1,013,583
	<u>10,153,067</u>	<u>11,012,332</u>
<u>Overseas</u>		
Fixed interest	978,888	1,388,326
International bonds	1,814,316	1,333,439
International equities	24,584,689	23,472,665
Others	5,055,707	2,723,719
	<u>32,433,600</u>	<u>28,918,149</u>
	<u><u>42,586,667</u></u>	<u><u>39,930,481</u></u>

Notes to the financial statements  
for the year ended 31 March 2022

14. Debtors

	2022	2021
	£	£
Amounts owing from group companies	-	1,425
Accrued income	5,302	8,936
	<u>5,302</u>	<u>10,361</u>

15. Creditors: amounts falling due within one year

	2022	2021
	£	£
Amounts owed to group companies	818,233	-
Accruals and deferred income	51,940	48,375
	<u>870,173</u>	<u>48,375</u>

16. Analysis of net assets between funds

	Unrestricted funds	HMS Victory		2022
	£	Preservation Trust	Endowment funds	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

	Unrestricted funds	HMS Victory		<i>Restated</i> 2021
	£	Preservation Trust	Endowment funds	Total funds
	£	£	£	£
Fund balances at 31 March 2021 as represented by:				
Tangible fixed assets	-	6,786,611	-	6,786,611
Heritage assets	-	19,375,000	-	19,375,000
Investment assets	-	-	39,930,481	39,930,481
Current assets	612,323	-	-	612,323
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

Notes to the financial statements  
for the year ended 31 March 2022

17. Restricted funds

	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>
	At 1 April 2020 £	Outgoing resources £	Gains and losses £	At 31 March 2021 £
HMS Victory Preservation Trust	26,172,769	(12,296)	1,138	26,161,611
	<u>26,172,769</u>	<u>(12,296)</u>	<u>1,138</u>	<u>26,161,611</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 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>
	At 1 April 2020 £	Incoming resources £	Outgoing resources £	Gains and losses £	At 31 March 2021 £
Endowment Fund	28,192,493	67,063	(123,581)	5,386,771	33,522,746
Catalyst Endowment Fund	5,349,542	12,774	(23,539)	1,026,051	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>

**Notes to the financial statements  
for the year ended 31 March 2022**

**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**

	<b>Opening balance</b>	<b>Cash flows</b>	<b>Closing balance</b>
	£	£	£
Cash at bank and in hand	601,962	282,279	884,241
<b>Net funds</b>	<u>601,962</u>	<u>282,279</u>	<u>884,241</u>

**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**

	<b>2022</b>	<b>2021</b>
	£	£
At 1 April 2021	31,684	30,546
Movement in reserves	5,043	1,138
At 31 March 2022	<u>36,727</u>	<u>31,684</u>

**Notes to the financial statements  
for the year ended 31 March 2022**

**23. Prior year adjustment**

Comparative information for 2021 has been restated to reflect the change in accounting policy for donated timber, resulting in a reclassification of timber from stock to tangible fixed assets. The amendments are as follows:

	<b>Tangible fixed assets</b>	<b>Stock</b>
	<b>£</b>	<b>£</b>
As previously stated at 1 April 2020	147,890	6,650,539
Transfer between categories	6,650,539	(6,650,539)
	<u>6,798,429</u>	<u>-</u>
As restated at 1 April 2020	<u><u>6,798,429</u></u>	<u><u>-</u></u>
	<b>Tangible fixed assets</b>	<b>Stock</b>
	<b>£</b>	<b>£</b>
As previously stated at 31 March 2021	138,592	6,648,019
Transfer between categories	6,648,019	(6,648,019)
	<u>6,786,611</u>	<u>-</u>
As restated at 31 March 2021	<u><u>6,786,611</u></u>	<u><u>-</u></u>

**THE HMS VICTORY PRESERVATION COMPANY**

England & Wales - Charity number 1146376

---

# Accounts

---

**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**

---

## **Contents**

Legal and administrative information .....	3
Trustees' annual report (incorporating the directors' report) .....	4
Performance Report .....	5
Accountability Report .....	10
Statement of Trustees' and Accounting Officer's responsibilities .....	13
Independent Auditor's report to the Trustees and Members .....	14
Statement of Financial Activities (incorporating the income and expenditure account) .....	17
Balance Sheet .....	18
Cash flow statement .....	19
Notes to the Financial Statements .....	20

## Legal and administrative information

<b>Charity number</b>	1146376
<b>Company registration number</b>	07935358
<b>Registered office</b>	HM Naval Base (PP66) Portsmouth Hampshire PO1 3NH
<b>Director General and Accounting Officer</b>	Professor Dominic Tweddle
<b>Trustees</b>	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)
<b>Company Secretary</b>	Mrs Nichola Tregear ACCA (Appointed 11 November 2021) Captain John Rees OBE (Resigned 11 November 2021)
<b>Accountants</b>	Compass Accountants Venture House, The Tanneries, East Street, Titchfield Hampshire PO14 4AR
<b>Auditors</b>	PKF Littlejohn LLP 15 Westferry Circus, Canary Wharf, London, E14 4HD
<b>Bankers</b>	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 HMS Victory Preservation Company**  
**(A company limited by guarantee)**  
**Company number: 07935358**

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: 24<sup>th</sup> November 2021**



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

**Date: 24<sup>th</sup> 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: 24<sup>th</sup> November 2021**



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

**Date: 24<sup>th</sup> 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 HMS Victory Preservation Company**  
**(A company limited by guarantee)**  
**Company number: 07935358**

- 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](http://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:** 13<sup>th</sup> 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			
	Notes	Unrestricted funds £	Preservation Trust £	Endowment funds £	2021 Total £	Unrestricted funds £	Preservation Trust £	Endowment funds £	2020 Total £
<b>Income and endowments from:</b>									
Donations	2	1,475	-	-	1,475	5,142	-	-	5,142
Investments	3	298,819	-	79,837	378,656	511,115	-	157,954	669,069
<b>Total income and endowments</b>		<b>300,294</b>	<b>-</b>	<b>79,837</b>	<b>380,131</b>	<b>516,257</b>	<b>-</b>	<b>157,954</b>	<b>674,211</b>
<b>Expenditure on:</b>									
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
<b>Total expenditure</b>		<b>233,245</b>	<b>12,296</b>	<b>147,120</b>	<b>392,661</b>	<b>1,143,724</b>	<b>10,357</b>	<b>242,517</b>	<b>1,396,598</b>
Net gains/(losses) on investments		-	-	6,412,822	6,412,822	-	-	(1,292,412)	(1,292,412)
<b>Net income/(expenditure)</b>		<b>67,049</b>	<b>(12,296)</b>	<b>6,345,539</b>	<b>6,400,292</b>	<b>(627,467)</b>	<b>(10,357)</b>	<b>(1,376,975)</b>	<b>(2,014,799)</b>
<b>Transfers between funds</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other recognised gains/(losses)</b>									
Gains/(losses) on revaluation of fixed assets	11	-	1,138	-	1,138	-	2,500	-	2,500
<b>Net movement in funds</b>		<b>67,049</b>	<b>(11,158)</b>	<b>6,345,539</b>	<b>6,401,430</b>	<b>(627,467)</b>	<b>(7,857)</b>	<b>(1,376,975)</b>	<b>(2,012,299)</b>
<b>Reconciliation of funds:</b>									
Total funds brought forward		539,806	26,172,769	33,542,035	60,254,610	1,167,273	26,180,626	34,919,010	62,266,909
<b>Total funds carried forward</b>		<b>606,855</b>	<b>26,161,611</b>	<b>39,887,574</b>	<b>66,656,040</b>	<b>539,806</b>	<b>26,172,769</b>	<b>33,542,035</b>	<b>60,254,610</b>

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

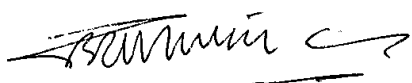
The notes on pages 20 to 31 form an integral part of these financial statements.

**Balance sheet**  
**as at 31 March 2021**

	Notes	2021		2020	
		£	£	£	£
<b>Fixed assets</b>					
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			<u>59,444,073</u>		<u>53,124,760</u>
<b>Current assets</b>					
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		<u>7,260,342</u>		<u>7,197,434</u>	
<b>Creditors: amounts falling due within one year</b>	16		<u>(48,375)</u>		<u>(67,584)</u>
<b>Net current assets</b>			<u>7,211,967</u>		<u>7,129,850</u>
<b>Net assets</b>			<u><u>66,656,040</u></u>		<u><u>60,254,610</u></u>
<b>Funds</b>					
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		<u>26,161,611</u>		<u>26,172,769</u>
Endowment funds	19		<u>39,887,574</u>		<u>33,542,035</u>
<b>Total funds</b>			<u><u>66,656,040</u></u>		<u><u>60,254,610</u></u>

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: 24<sup>th</sup> 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 £
<b>Cash flows from operating activities:</b>			
<b>Net cash used in operating activities</b>		(381,990)	(1,408,435)
<b>Cash flows from investing activities</b>			
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
<b>Cash used in investing activities</b>		<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		<u>521,085</u>	<u>1,176,978</u>
<b>Cash and cash equivalents at the end of the year</b>		<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)
<b>Net cash used in operating activities</b>		<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	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.  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.

### 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 500m<sup>3</sup> 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 nc<sup>2</sup> 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 500m<sup>3</sup> 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

	HMS Victory		2021	HMS Victory		2020
	Unrestricted	Preservation	Total	Unrestricted	Preservation	Total
	funds	Trust		funds	Trust	
	£	£	£	£	£	£
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	Governance	2021	2020
	undertaken	and support	Total	Total
	directly	costs		
	£	£	£	£
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	2020
	Total	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	3,028	3,288
	<u>13,464</u>	<u>13,645</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 £
<b>Cost or valuation</b>			
At 1 April 2020	31,706	211,964	243,670
Revaluation	144	1,631	1,775
	<u>31,850</u>	<u>213,595</u>	<u>245,445</u>
At 31 March 2021	<u>31,850</u>	<u>213,595</u>	<u>245,445</u>
<b>Depreciation</b>			
At 1 April 2020	27,949	67,831	95,780
Charge for the year	1,892	8,544	10,436
Revaluation	115	522	637
	<u>29,956</u>	<u>76,897</u>	<u>106,853</u>
At 31 March 2021	<u>29,956</u>	<u>76,897</u>	<u>106,853</u>
<b>Net book values</b>			
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 £
<b>Valuation</b>		
At 1 April 2020 and At 31 March 2021	19,375,000	19,375,000
<b>Net book values</b>		
At 31 March 2021	19,375,000	19,375,000
At 31 March 2020	19,375,000	19,375,000
	<b>At cost £</b>	<b>At valuation £</b>
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.

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

13. Fixed assets - Investments

	Listed investments £	Total £
<b>Valuation</b>		
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:

		<b>2021</b>	<b>2020</b>
		<b>£</b>	<b>£</b>
<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**

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

**15. Debtors**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
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**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
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

	HMS Victory			2021
	Unrestricted	Preservation	Endowment	Total
	funds	Trust	funds	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

	HMS Victory			2020
	Unrestricted	Preservation	Endowment	Total
	funds	Trust	funds	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

18. Restricted funds

	At	Outgoing	Gains and	At		
	1 April			resources	losses	31 March
	2020			£	£	2021
	£	£	£	£		
HMS Victory Preservation Trust	<u>26,172,769</u>	<u>(12,296)</u>	<u>1,138</u>	<u>26,161,611</u>		
	At	Outgoing	Gains and	At		
	1 April	resources	losses	31 March		
	2019	£	£	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
<b>Net funds</b>	<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.

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

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

**23. Revaluation reserve**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
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>