

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

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Legal and administrative information

Charity number	1146376
Company registration number	07935358
Registered office	HM Naval Base (PP66) Portsmouth Hampshire PO1 3NH
Director General and Accounting Officer	Professor Dominic Tweddle
Trustees	Admiral of the Fleet The Lord Boyce (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)
Company Secretary	Mrs Nichola Tregear (appointed 12 November 2021) Captain John Rees (resigned 12 November 2021)
Accountants	Compass Accountants Venture House, The Tanneries, East Street, Titchfield Hampshire PO14 4AR
Auditors	PKF Littlejohn LLP 15 Westferry Circus, Canary Wharf, London, E14 4HD
Bankers	Lloyds TSB Bank Plc 16A High Street, Cosham, Portsmouth Hampshire PO6 3DY

Trustees' annual report (incorporating the directors' report)

Foreword

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

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

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

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

in perpetuity, but for the avoidance of doubt:

- i. The Trust may repair, replace or renew any part of the fabric of the Ship in order to preserve her as a whole in as historically authentic condition as possible and after taking advice on good conservation practice and reference to "the Ship" are references to HMS Victory in her condition at the time in question which may reflect such repairs, replacements and renewals
 - ii. The Trust is not required to hold in perpetuity any parts of the Ship or the Ship's Fittings which are removed in the course of a programme of preservation and restoration and in the opinion of an appropriately qualified expert have no remaining historical value;
- d) All material acquired by the Trust for the purposes of application in preserving, restoring or maintaining the Ship; and
 - e) The remainder of the Trust Fund and all accretions thereto as expendable endowment, upon trust to apply them for the benefit of the public:
 - i. To preserve, restore and maintain the Ship;
 - ii. To educate the public about the history of the Ship and the history of the Royal Navy and other matters relating to the defence of the realm;
 - iii. To promote the efficiency of the armed forces by assisting recruitment and retention and fostering the esprit de corps of the men and women who are serving in the Naval Service or Auxiliaries;
 - iv. To commemorate and remember those members of the Naval Service and Auxiliaries who have died while on active service and to encourage public recognition of the sacrifice made by such persons;

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

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

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 nc² consultancy, is enabling the project to better understand the likely degradation of materials over time, and make informed decisions as to the best choices of fixings, glues, paints and timber to be used on the project, and the levels of maintenance likely to be required going forward. The ship-side mock-up surveys progressed on a monthly basis and the results showed patterns of deterioration. This information 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 supersession 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: 30th January 2023



Professor Dominic Tweddle
Director General and Accounting Officer

Date: 30th 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 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 complements 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

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 18th Century wooden ships.

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

Statement of Trustees' and Accounting Officer's responsibilities
for the year ended 31 March 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: 30th January 2023



Professor Dominic Tweddle
Director General and Accounting Officer

Date: 30th 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. 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			
		Unrestricted	Preservation	Endowment	2022	Unrestricted	Preservation	Endowment	2021
		funds	Trust	funds	Total	funds	Trust	funds	Total
	Notes	£	£	£	£	£	£	£	£
Income and endowments from:									
Donations	2	45,860	-	-	45,860	1,475	-	-	1,475
Investments	3	292,631	-	258,826	551,457	298,819	-	79,837	378,656
Total income and endowments		<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>
Expenditure on:									
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
Total expenditure		<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
Net (expenditure)/income		<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>
Transfers between funds		-	-	-	-	-	-	-	-
Other recognised gains/(losses)									
Gains/(losses) on revaluation of fixed assets	11	-	5,043	-	5,043	-	1,138	-	1,138
Net movement in funds		<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>
Reconciliation of funds:									
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
Total funds carried forward		<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

		2022		Restated 2021	
	Notes	£	£	£	£
Fixed assets					
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			68,786,990		66,092,092
Current assets					
Debtors	14	5,302		10,361	
Cash at bank and in hand		884,241		601,962	
Total current assets		889,543		612,323	
Creditors: amounts falling due within one year	15	(870,173)		(48,375)	
Net current assets			19,370		563,948
Net assets			68,806,360		66,656,040
Funds					
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		26,155,903		26,161,611
Endowment funds	18		42,537,195		39,887,574
Total funds			68,806,360		66,656,040

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: 30th January 2023

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

	Notes	2022 £	Restated 2021 £
Cash flows from operating activities:			
Net cash used in operating activities		(208,256)	(384,510)
Cash flows from investing activities			
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
Cash used in investing activities		<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>
Cash and cash equivalents at the end of the year		<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)
Net cash used in operating activities		<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 527m³ of teak, plus some smaller quantities of iroko and Brazilian mahogany, that had originally been procured by MoD for use in the conservation and maintenance of the Ship and that had been valued by Timbmet.

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

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

Notes to the financial statements for the year ended 31 March 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 (~13m³) of unseasoned oak was donated by Portsmouth Water. This is presently at W L West's yard awaiting conversion and seasoning. It is anticipated that the seasoning will take 4-5 years to complete (not before 2026).
- Also in 2022, 3000 hoppus feet (~108m³) of unseasoned oak was donated by HS2. This timber is being stored at a yard in the Midlands awaiting conversion and seasoning. Again, it 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	£	£
	£	£	£	£
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	<u>3,723</u>	<u>3,028</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 £
Cost or valuation				
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>
Depreciation				
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>
Net book values				
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 £
Valuation		
At 1 April 2021 and At 31 March 2022	<u>19,375,000</u>	<u>19,375,000</u>
Net book values		
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>
	At cost £	At valuation £
Carrying amount at 1 April 2021 and 31 March 2022	<u>-</u>	<u>19,375,000</u>
		Total £
		<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.

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

13. Fixed assets - Investments

	Listed investments £	Total £
Valuation		
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	2,397,360	2,397,360
At 31 March 2022	42,586,667	42,586,667
Historical cost as at 31 March 2022	31,669,845	31,669,845
Historical cost as at 31 March 2021	31,411,019	31,411,019

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:

	2022 £	2021 £
<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
	10,153,067	11,012,332
<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
	32,433,600	28,918,149
	42,586,667	39,930,481

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

	Unrestricted funds	HMS Victory Preservation Trust	Endowment funds	Restated 2021 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
	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

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

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

	2022 £	2021 £
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:

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