

HMS VICTORY PRESERVATION ENDOWMENT FUND

England & Wales · Charity number 1147573

Details

Status Registered

Legal form Trust

Registered 2012-06-01

Register [View on the Charity Commission register](#)

Contact

Address Royal Navy Museums
HM Naval Base (PP66)
Portsmouth Historic Dockyard
Portsmouth
Hampshire
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Phone 023 9283 9766

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Activities

Objects: TO SUPPORT THE WORK OF HMS VICTORY PRESERVATION COMPANY A COMPANY LIMITED BY GUARANTEE AND INCORPORATED UNDER NO. 7935358 AND REGISTERED CHARITY NO. 1146376 WHOSE REGISTERED OFFICE IS AT NATIONAL MUSEUM OF THE ROYAL NAVY, PORTSMOUTH HISTORIC DOCKYARD, HM NAVAL BASE, PORTSMOUTH, HAMPSHIRE PO1 3NH (THE ?COMPANY?) IN PURSUANCE OF ITS CHARITABLE OBJECTS FOR THE BENEFIT OF THE PUBLIC NAMELY:(A) TO PRESERVE, RESTORE AND MAINTAIN HMS VICTORY, THE FLAGSHIP OF LORD NELSON AT THE BATTLE OF TRAFALGAR (THE ?SHIP?);(B) 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;(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 PERSONSAND SO THAT FOR THE AVOIDANCE OF DOUBT SUCH SUPPORT MAY EXTEND TO THE MEETING OF ANY EXPENSES INCURRED IN THE MANAGEMENT OR ADMINISTRATION OF THE COMPANY.

Activities: Preserve, restore and maintain HMS Victory Educate 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:** Makes Grants To Organisations
- **What:** Education/training, Arts/culture/heritage/science, Environment/conservation/heritage, Armed Forces/emergency Service Efficiency
- **Who:** The General Public/mankind

Geography

- Throughout England And Wales

Finances

Period end	Income	Expenditure	Assets	Employees
2025-03-31	£563,328	£2,696,076	£12,139,717	0
2024-03-31	£413,188	£1,176,683	-	-
2023-03-31	£287,081	£8,178,158	-	-
2022-03-31	£223,847	£1,109,008	-	-
2021-03-31	£199,521	£974,193	-	-

Trustees

Name	Role	Appointed
Keith William Morris	Chair	2015-08-12
John Douglas Dagg		2019-01-01
Keith Scott		2017-07-17
Robert Michael Neville Norman		2015-08-12

HMS VICTORY PRESERVATION ENDOWMENT FUND

England & Wales - Charity number 1147573

Accounts

Charity number: 1147573

The HMS Victory Preservation Endowment Fund

Trustees' report and financial statements

for the year ended 31 March 2025

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Legal and administrative information

Charity number	1147573
Business address	HM Naval Base (PP66) Portsmouth Hampshire PO13 3NH
Trustees	Mr Keith W Morris Mr John D Dagg Mr Robert M N Norman Mr Keith Scott
Accountants	Compass Accountants Venture House, The Tanneries, East Street, Titchfield Hampshire PO14 4AR
Auditors	Price Bailey LLP 24 Old Bond Street, London, W1S 4AP
Bankers	Schroder & Co Limited t/a Cazenove Capital 1 London Wall Place, London, EC2Y 5AU

Trustees' annual report

Foreword

The Trustees of HMS Victory Preservation Endowment Fund ("the charity") present their report and the financial statements for the year ended 31 March 2025. The Trustees have had due regard to the guidance issued by the Charity Commission on Public Benefit. The Trustees have 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 charity.

The financial statements have been prepared in accordance with the accounting policies set out in notes to the accounts and comply with the charity's governing document, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Objectives and activities

The charity is governed by the Declaration of Trust dated 26 March 2012. The charity was established as an independent charitable trust to manage £25 million received from the Ministry of Defence into an endowment fund, for the purposes of supporting the preservation, restoration and maintenance of HMS *Victory*, the flagship of Lord Nelson and the world's oldest commissioned warship.

The charitable objects of the charity are to support the work of the HMS Victory Preservation Company (company number 7935358 and registered charity number 1146376) in pursuance of its charitable objects, which are:

- a) To preserve, restore and maintain HMS *Victory*, the flagship of Lord Nelson at the Battle of Trafalgar;
- b) To educate 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 Trustees of the HMS Victory Preservation Company have an agreement with the charitable entity, NMRN Operations (company number 9988314 and registered 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.

Structure, governance and management

The Declaration of Trust imposes no restriction on the charity to prohibit the Trustees from spending the entire capital of the endowment in furtherance of the objectives of the charity. The Trustees anticipate, subject to receiving acceptable grant requests, that the endowment will be fully expended by the 2026-27 financial year.

The Trustees meet regularly, normally four times a year and more as required, to review and consider performance of invested funds with the appointed fund managers and to consider requests for grant funding from NMRN Operations ("the operator"). The Trustees regularly review any potential conflicts of interest.

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

publication “Code of Ethics for Trustees”. Trustees are encouraged to visit HMS *Victory* and the National Museum of the Royal Navy’s Head Office in Portsmouth, to meet its key members of staff and to discuss current issues.

Risk Management

The Trustees have considered and reviewed the risks to the charity and have established systems and procedures to manage them. The principal risk to the Endowment Fund’s amount available to make grants lies in the volatility of investments in equities. Sale of these in a depressed market would lead to less monies being available to the Trustees to distribute. This risk is managed by reducing the percentage of equities held and increasing the cash and fixed interest portfolio as the fund reduces in size. In addition, the Trustees only approve grants where the fund holds cash sufficient to meet the amount granted. This process is managed through a clearly defined investment policy; the selection of an investment manager that is fully briefed on that policy; and regular reviews of investment manager performance to confirm that the assets are in line with the policy.

Activities and Achievements

We have made grants to NMRN Operations to fund its work on HMS *Victory* totalling £2,644,804 during this financial year.

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, we have funded the operator to develop a revised Conservation Management Plan during the year, 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 became 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.

The National Museum lost a significant quantity of data during a cyber-attack in December 2024, and the operator worked hard to restore or rebuild necessary data to continue with the rigging and spars work. The mast conservation plans continued to be progressed.

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.

With support from our funding, 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 general conservation works. A comprehensive programme of Heritage Open Days (HOD) were 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*.

A joint initiative between NMRN Operations, Portsmouth City Council and the Mary Rose Trust, offered free tickets to all families within the city who are entitled to Pupil Premium, opening up HMS *Victory* to those who may not have been able to visit the Ship previously.

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

The Endowment Fund expects to receive and consider further grant requests from NMRN Operations in the 2025-26 financial year, and subsequent financial years, for funding to support HMS *Victory's* presentation to the public and its Conservation Project Plan. There is potential for NMRN Operations to review the project programme to bring forward specific stages of its planned activities. If this was agreed, the result would mean increased expenditure earlier. This increased rate of expenditure, with the Trustees' decision not to seek to raise further funds, has resulted in the Trustees reviewing its plans for the future closure of the charity.

The Trustees note that a sister fund, managed by the HMS Victory Preservation Company, shares identical objectives and holds significant resources. This Company has indicated its intention to continue supporting the restoration of HMS *Victory* after the endowment is spent.

Investment Policy

The Trustees completed a review of the Investment Policy and Investment Managers during 2024 and the Trustees resolved to hold all funds with one investment manager, Cazenove. They took into account the anticipated grant funding requests for the revised Conservation Project Plan, which indicated a high level of grant requests in the 2024-25 financial year.

The investment objective has continued to be to maintain the cash and liquidity available to meet anticipated near-term grant funding requests (defined as the next 12 months) and to invest the remaining assets in a way consistent with the expected project timeframe.

At the date of approving this investment policy, the forecast grant funding requirement from NMRN Operations showed that the capital resources of the Endowment Fund would be fully expended in the 2026-27 financial year. Any forecast should be treated with some caution, given the complexities of the operator's Conservation Programme Plan and the impact of the current economic environment on both the work programme and investment performance. The latest projections indicate that the Endowment Fund will be fully expended in the 2026-27 financial year. The Trustees do not consider any change in approach was required to our investment objectives.

The Endowment Fund seeks to produce the best possible financial return within an acceptable level of risk. Return can be achieved by either income or capital gain, but given the duration of the fund, significant volatility in the investment portfolio is undesirable. The Endowment Fund will seek to strike a balance between equity investments, which provide the best opportunity for capital retention and growth in excess of inflation, and fixed investments such as cash and bonds, which provide lower volatility and more certain returns. The Trustees have determined they have a conservative approach to risk.

Subject to the above, the Endowment Fund 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 assets, private equity, commodities and any other asset class that is deemed suitable. The Trustees do not wish to invest directly in property. In making investments, the Trustees may take into consideration the fact that the Preservation Company fund, which shares the identical objectives, will not be using its capital and will be available to take up the funding needs of HMS *Victory* after the Endowment Fund is expended. The Trustees will agree a suitable asset allocation framework with the chosen Investment Managers

The base currency of the investment portfolio is Sterling. Investments may be made in non-sterling assets. Hedging is permitted.

The Endowment Fund shall, through the chosen Investment Managers, maintain a cash reserve to fund near-term requirements for funding the programme of work on HMS *Victory*. The Investment Managers manage the Endowment Fund's assets on a discretionary basis in line with this policy. The Investment Managers provide custody of assets and each is required to produce a quarterly valuation and performance report.

The Trustees are responsible for agreeing strategy and monitoring the investment assets, and the performance of the Investment Managers and will meet at least annually to review the portfolios, including an analysis of return, asset allocation and risk. This will include monitoring and reviewing the fees charged. No specific ethical investment restriction is placed in the Investment Managers' remit. The Trustees are content that the corporate socially responsible investment policies of the Investment Managers meets their needs.

Reserves Policy

The Trustees regularly monitor the levels of the Endowment Fund's liquid and total reserves. Due to the expected higher grant requests in the coming year, the Trustees needed to hold additional liquidity. On advice from their Investment Manager the Trustees opened a short-term liquidity fund to maintain easily accessible assets sufficient to meet anticipated grant requests in the next twelve months, and to avoid selling of investments assets at a sub-optimum time in a potentially declining market.

Grant Making Policies

The Endowment Fund exists to support the charitable objects of the HMS Victory Preservation Company. In so doing, the Endowment Fund expects to make a grant to NMRN Operations based on the budget proposed for the operation, preservation, and maintenance of the Ship. In addition, occasional grants may be made to fund specific projects and one-off expenditure that support the charitable objects.

Related Parties

The related parties of the HMS Victory Preservation Endowment Fund are disclosed in note 14 to the accounts.

Financial Review

Results for the Year Ended 31 March 2025

The expenditure was primarily on grants to support HMS Victory which totalled £2,644,084.

Total income from investments for the HMS Victory Preservation Endowment Fund in 2024-25 amounted to £563,328 (2023-24: £413,188).

Total expenditure for 2024-25 amounted to £2,696,076 (2023-24: £1,176,683). After net losses on mid-market valuation of investments of £17,966 (2023-24: gains of £684,444), the net movement in funds for the year was a decrease of £2,150,714 (2023-24: decrease of £79,051).

The net assets as at 31 March 2025 amounted to £12,139,717 (31 March 2024: £14,290,431).

Changes in Fixed Assets

Movements in fixed asset investments are shown in note 7 to the accounts.

Auditors

The accounts have been audited by Price Bailey LLP. So far as the Trustees are aware, there is no relevant audit information of which the charity'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 charity's auditors are aware of that information.



Mr Keith Morris

Date: 17 December 2025

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales 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 charity and of the incoming resources and application of resources of the charity 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Mr Keith Morris

Date: 17 December 2025

Independent auditors' report to the Trustees of HMS Victory Preservation Endowment Fund

Opinion

We have audited the financial statements of the HMS Victory Preservation Endowment Fund (the 'charity') 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 Charity'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 Charities Act 2011.

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 Charity 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 Charity'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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees Responsibilities, the trustees are responsible for the preparation of financial statements which 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 charity'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 charity 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 Charity 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 Charity in this regard to be those arising from the 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. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity'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. 5 January 2026

Statement of financial activities

For the year ended 31 March 2025

	Notes	Unrestricted funds £	Endowment funds £	2025 Total £	Unrestricted funds £	Endowment funds £	2024 Total £
Income from:							
Investments	2	563,328	-	563,328	406,624	6,564	413,188
Total income		<u>563,328</u>	<u>-</u>	<u>563,328</u>	<u>406,624</u>	<u>6,564</u>	<u>413,188</u>
Expenditure on:							
Investment management costs		-	25,920	25,920	1,831	33,440	35,271
Charitable activities	3	2,670,156	-	2,670,156	1,141,412	-	1,141,412
Total expenditure		<u>2,670,156</u>	<u>25,920</u>	<u>2,696,076</u>	<u>1,143,243</u>	<u>33,440</u>	<u>1,176,683</u>
Net gains/(losses) on investments	7,8	-	(17,966)	(17,966)	-	684,444	684,444
Transfers between funds		<u>(2,826,926)</u>	<u>2,826,926</u>	<u>-</u>	<u>2,142,990</u>	<u>(2,142,990)</u>	<u>-</u>
Net movement in funds		<u>(4,933,754)</u>	<u>2,783,040</u>	<u>(2,150,714)</u>	<u>1,406,371</u>	<u>(1,485,422)</u>	<u>(79,051)</u>
Reconciliation of funds							
Total funds brought forward		<u>4,986,228</u>	<u>9,304,203</u>	<u>14,290,431</u>	<u>3,579,857</u>	<u>10,789,625</u>	<u>14,369,482</u>
Total funds carried forward		<u><u>52,474</u></u>	<u><u>12,087,243</u></u>	<u><u>12,139,717</u></u>	<u><u>4,986,228</u></u>	<u><u>9,304,203</u></u>	<u><u>14,290,431</u></u>

The statement of financial activities includes all gains and losses in the year.

All of the above amounts relate to continuing activities.

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

Balance sheet

as at 31 March 2025

	Notes	£	2025 £	£	2024 £
Fixed assets					
Investments	7		3,410,279		9,385,878
Current assets					
Investments	8	8,722,336		4,975,745	
Debtors	9	41,472		13,187	
Total current assets		8,763,808		4,988,932	
Creditors: amounts falling due within one year	10	(34,370)		(84,379)	
Net current assets			8,729,438		4,904,553
Net assets			12,139,717		14,290,431
Funds	11				
Endowment funds	13		12,087,243		9,304,203
Unrestricted income funds	12		52,474		4,986,228
Total funds			12,139,717		14,290,431

The financial statements were approved by the Trustees and signed on their behalf by



Mr K Morris
Trustee

Date: 17 December 2025

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

Cash flow statement for the year ended 31 March 2025

	2025 £	2024 £
Cashflows from operating activities:		
Net cash outflow from operating activities	(2,721,638)	(2,744,162)
Cash flows from investing activities:		
Dividends and interest from investments	535,043	413,188
Purchase of investments	(669,777)	(435,020)
Disposal of investments	2,740,662	2,578,010
Movement in cash held in investments	115,710	187,984
Net cash provided by investing activities	<u>2,721,638</u>	<u>2,744,162</u>
Change in cash and cash equivalents in the reporting period	-	-
Cash and cash equivalents at 1 April 2024	<u>-</u>	<u>-</u>
Total cash and cash equivalents at 31 March 2025	<u><u>-</u></u>	<u><u>-</u></u>
Net expenditure for the year	(2,150,714)	(79,051)
Income from investments	(535,043)	(413,188)
Losses /(Gains) on investments	17,966	(684,444)
Adjustment for non-cash fees from gains/losses	24,447	46,495
Other increase in short term investments	-	(1,626,496)
Increase in debtors	(28,285)	(6,564)
(Decrease)/Increase in creditors	(50,009)	19,086
Net cash (used in)/provided by operating activities	<u><u>(2,721,638)</u></u>	<u><u>(2,744,162)</u></u>

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

1. Accounting policies

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and the preceding year.

1.1. Charity information

The HMS Victory Preservation Endowment Fund is a registered charity, number 1147573. The business address is HM Naval Base PP66, Portsmouth, Hampshire, PO1 3NH. The HMS Victory Preservation Endowment Fund meets the definition of a public benefit entity under section 34 of FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value, unless otherwise stated in the relevant accounting policy. The principal objectives of the charity are detailed in the Trustees report.

1.2. Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued in October 2019, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2019.

The financial statements have been prepared on a going concern basis as the trustees believe that no material uncertainties exist. The trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern.

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value. The financial statements are presented in sterling which is the functional currency of the charity. 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.

Endowment funds are funds which the donor has stated are to be held as capital and expendable over the long term.

1.4. Incoming resources

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably. 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.

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

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

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

1.5. Grants receivable

Revenue grants are credited to incoming resources on the earlier date of when they are received or when they are receivable. If a grant of donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the charity's control and it is probable those conditions will be met in the accounting period.

Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable. Depreciation on the fixed assets purchased with such grants is charged against the restricted fund.

1.6. Resources expended

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

Charitable expenditure comprises those costs incurred by the charity 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 charity and include project management.

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

1.7. Investments

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

2. Investment income

	Unrestricted funds	Endowment funds	2025 Total	Unrestricted funds	Endowment funds	2024 Total
	£	£	£	£	£	£
Income from UK listed investments	274,694	-	274,694	368,047	6,564	374,611
Interest income	288,634	-	288,634	38,577	-	38,577
	<u>563,328</u>	<u>-</u>	<u>563,328</u>	<u>406,624</u>	<u>6,564</u>	<u>413,188</u>

3. Costs of charitable activities - by fund type

	Unrestricted funds	2025 Total	Unrestricted funds	2024 Total
	£	£	£	£
HMS Victory Preservation	<u>2,670,156</u>	<u>2,670,156</u>	<u>1,141,412</u>	<u>1,141,412</u>

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

4. Costs of charitable activities - by activity

	Activities undertaken directly £	Governance and support costs £	2025 Total £	2024 Total £
Governance and support costs	-	26,072	26,072	33,845
Grant to NMRN Operations (Charity 1169061)	2,644,084	-	2,644,084	1,107,567
	<u>2,644,084</u>	<u>26,072</u>	<u>2,670,156</u>	<u>1,141,412</u>

5. Governance and support costs

	Unrestricted funds £	2025 Total £	Unrestricted funds £	2024 Total £
Accountancy fees	1,800	1,800	1,203	1,203
Auditor remuneration	6,000	6,000	10,082	10,082
Administration and support costs	17,040	17,040	17,040	17,040
Other governance costs	1,232	1,232	5,520	5,520
	<u>26,072</u>	<u>26,072</u>	<u>33,845</u>	<u>33,845</u>

6. Trustees' emoluments

No Trustees received remuneration during the year (2024: Nil). No expenses have been paid to the Trustees during the year (2024: £Nil).

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

7. Fixed asset investments

	Listed investments £	Total £
Valuation		
At 1 April 2024	9,385,878	9,385,878
Additions	669,777	669,777
Disposals	(2,740,662)	(2,740,662)
Transferred to current asset investments	(3,862,301)	(3,862,301)
Gains and losses before management fees	(17,966)	
Less management fees deducted	(24,447)	
Net increase in investment market value	<u>(42,413)</u>	<u>(42,413)</u>
At 31 March 2025	<u><u>3,410,279</u></u>	<u><u>3,410,279</u></u>
 Cash held in investments		
At 1 April 2024		158,868
Transferred to current investments		(158,868)
At 31 March 2025		<u><u>-</u></u>
 Total investment value at 1 April 2024		<u><u>9,385,878</u></u>
 Total investment value at 31 March 2025		<u><u>3,410,279</u></u>
 Historical cost as at 31 March 2025		<u><u>17,443,997</u></u>
Historical cost as at 31 March 2024		<u><u>16,774,220</u></u>

Disposals from the above investment fund were used to fund acquisitions in current asset investments .

8. Current asset investments

	2025 £	2024 £
Current asset investments	8,679,178	4,816,877
Cash	43,158	158,868
	<u><u>8,722,336</u></u>	<u><u>4,975,745</u></u>

The current asset investment portfolio includes short-term, low-volatility, variable net asset value money-market funds maturing within the next 12 months.

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

9. Debtors

	2025	2024
	£	£
Other debtors	41,164	12,879
Prepayments	308	308
	<u>41,472</u>	<u>13,187</u>

10. Creditors: amounts falling due within one year

	2025	2024
	£	£
Other creditors	7,320	13,202
Accruals and deferred income	27,050	71,177
	<u>34,370</u>	<u>84,379</u>

11. Analysis of net assets between funds

	Unrestricted funds	Endowment funds	2025 Total funds
	£	£	£
Fund balances at 31 March 2025 as represented by:			
Investment assets	-	3,410,279	3,410,279
Current assets	84,634	8,679,174	8,763,808
Current liabilities	(32,160)	(2,210)	(34,370)
	<u>52,474</u>	<u>12,087,243</u>	<u>12,139,717</u>
	Unrestricted funds	Endowment funds	2024 Total funds
	£	£	£
Fund balances at 31 March 2024 as represented by:			
Investment assets	158,868	9,227,010	9,385,878
Current assets	4,911,002	77,930	4,988,932
Current liabilities	(83,642)	(737)	(84,379)
	<u>4,986,228</u>	<u>9,304,203</u>	<u>14,290,431</u>

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

12. Unrestricted funds

	At 1 April 2024 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2025 £
Unrestricted Funds	<u>4,986,228</u>	<u>563,328</u>	<u>(2,670,156)</u>	<u>-</u>	<u>(2,826,926)</u>	<u>52,474</u>

	At 1 April 2023 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2024 £
Unrestricted Funds	<u>3,579,857</u>	<u>406,624</u>	<u>(1,143,243)</u>	<u>-</u>	<u>2,142,990</u>	<u>4,986,228</u>

13. Endowment funds

	At 1 April 2024 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2025 £
Endowment Funds	<u>9,304,203</u>	<u>-</u>	<u>(25,920)</u>	<u>(17,966)</u>	<u>2,826,926</u>	<u>12,087,243</u>

	At 1 April 2023 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2024 £
Endowment Funds	<u>10,789,625</u>	<u>6,564</u>	<u>(33,440)</u>	<u>684,444</u>	<u>(2,142,990)</u>	<u>9,304,203</u>

Transfers from unrestricted funds in 2024/25 reflect amounts returned to the endowment fund that were unspent during the 2024/25 year and therefore reinvested as part of the endowment.

Transfers to unrestricted funds in 2023/24 reflect amounts disinvested to facilitate the grant to NMRN Operations.

14. Related party transactions

There were no related party transactions during the period (2024: None).

HMS VICTORY PRESERVATION ENDOWMENT FUND

England & Wales - Charity number 1147573

Accounts

Charity number: 1147573

The HMS Victory Preservation Endowment Fund

Trustees' report and financial statements

for the year ended 31 March 2024

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Legal and administrative information

Charity number	1147573
Business address	HM Naval Base (PP66) Portsmouth Hampshire PO13 3NH
Trustees	Mr Keith W Morris Mr John D Dagg Mr Robert M N Norman Mr Keith Scott
Accountants	Compass Accountants Venture House, The Tanneries, East Street, Titchfield Hampshire PO14 4AR
Auditors	Price Bailey LLP 24 Old Bond Street, London, W1S 4AP
Bankers	Schroder & Co Limited t/a Cazenove Capital 1 London Wall Place, London, EC2Y 5AU

Trustees' annual report

Foreword

The Trustees of HMS Victory Preservation Endowment Fund ("the charity") present their report and the financial statements for the year ended 31 March 2024. The Trustees have had due regard to the guidance issued by the Charity Commission on Public Benefit. The Trustees have 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 charity.

The financial statements have been prepared in accordance with the accounting policies set out in notes to the accounts and comply with the charity's governing document, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Objectives and activities

The charity is governed by the Declaration of Trust dated 26 March 2012. The charity was established as an independent charitable trust to manage £25 million received from the Ministry of Defence into an endowment fund, for the purposes of supporting the HMS Victory Preservation Company (company number 7935358 and registered charity number 1146376) in pursuance of their charitable objects, which are:

- a) To preserve, restore and maintain HMS *Victory*, the flagship of Lord Nelson at the Battle of Trafalgar;
- b) To educate 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 Declaration of Trust imposes no restriction on the charity to prohibit the Trustees from spending the entire capital of the endowment in furtherance of the objectives of the charity. The Trustees anticipate, subject to receiving acceptable grant requests, that the endowment will be fully expended by the 2027-28 financial year.

Structure, governance and management

On 29 March 2012, the ownership of HMS *Victory* ("the Ship") transferred to the HMS Victory Preservation Trust, a registered charitable trust of the HMS Victory Preservation Company ("the company"), a wholly owned subsidiary of the National Museum of the Royal Navy (company number 6699696 and registered charity number 1126283). The company's trustees 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 (company number 9988314 and charity number 1169061), also a wholly owned subsidiary of the National Museum, that it will restore and maintain the Ship and present it as a visitor attraction to the public as part of its charitable activities.

The trustees note that a sister fund, managed by the HMS Victory Preservation Company, shares identical objectives and holds significant resources. This Company has indicated its intention to continue supporting the restoration of HMS *Victory* after the endowment is spent.

The Trustees meet regularly, normally four times a year and more as required, to review and consider performance of invested funds with the appointed fund managers and to consider requests for grant funding from NMRN Operations. The Trustees regularly review any potential conflicts of interest.

A formal induction process for Trustees is in place which combines all the necessary background reading material including items such as the governing document, minutes of recent meetings, the Charity Commission's publication "The Essential Trustee: what you need to know", and the Museum Association's publication "Code of Ethics for Trustees". Trustees are encouraged to visit HMS *Victory* and the National Museum of the Royal Navy's Head Office in Portsmouth, to meet key members of staff and to discuss current issues.

Risk Management

The Trustees have considered and reviewed the risks to the charity and have established systems and procedures to manage them. The principal risk to the Endowment Fund's amount available to make grants, lies in the volatility of investments in equities. Sale of these in a depressed market would lead to less monies being available to the trustees to distribute. This risk is managed by reducing the percentage of equities held and increasing the cash and fixed interest portfolio as the fund reduces in size. In addition the Trustees only approve grants where the fund holds cash sufficient to meet the amount granted. This process is managed through a clearly defined investment policy; the selection of an investment manager that is fully briefed on that policy; and regular reviews of investment manager performance to confirm that the assets are in line with the policy.

Activities and Achievements

We have made grants to NMRN Operations to fund work on HMS *Victory* totalling £1,107,567 during this financial year.

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 Company approved the Conservation Programme Plan for the Ship, developed by NMRN Operations 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.

We have funded the development of a revised Conservation Management Plan, 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.

NMRN Operations has continued to concentrate on hull planking removal, that has come with a number of challenges due to degradation of on-ship materials, and the standard of frames being exposed. This has 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 NMRN Operations, under the guidance of its structural support specialists, to prevent movement of the Ship in its 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.

We funded NMRN Operations to continue testing to establish the impact of UV, water permeability and various materials for fastenings on the Ship. This extensive programme of work, undertaken in partnership with Southampton University's nc² consultancy, is enabling the project to better understand the likely degradation of materials over time, and make informed decisions as to the best choices of fixings, glues, paints and timber to be used on the project, and the levels of maintenance likely to be required going

forward. The ship-side mock-up surveys progressed on a monthly basis and the results showed patterns of deterioration. This information, combined with the laboratory results from materials trials was used when selecting the materials for re-planking the ship. The approach to the fungal survey which has been outlined with the University's microbiology department is due to commence in the summer 2024. 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.

To support the delivery of the 12-year conservation plan, we funded upgrades to the workshops. 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.

We have enabled NMRN Operations to capture digital footage of the project during the year, including 3D drone surveys, modelling and high resolution footage of planks. All of the content has been used to support visitors' research and experiences across websites, social media and within the Victory Live experience. This has enabled digital and site visitors to experience the levels of conservation being undertaken, receive key updates, witness the restoration milestones and learn more about the science. We have also funded 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.

With support from our funding, NMRN Operations welcomed 282,056 visitors (2022-23: 204,859 visitors) to HMS Victory (Ship and Gallery) during the period. There were approximately 12,149 school visits to the Ship and Gallery. A 'virtual' session on board HMS Victory was delivered as part of a 'Kids in Museums' conference. A 'Minecraft' programming strand, delivered by NMRN Operations in partnership with their 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.

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. A joint initiative between NMRN Operations, Portsmouth City Council and the Mary Rose Trust, offered free tickets to all families within the city who are entitled to Pupil Premium, opening up HMS Victory to those who may not have been able to visit the Ship previously.

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

The Endowment Fund expects to receive and consider further grant requests from NMRN Operations in the 2024-25 financial year, and subsequent financial years, for funding to support the HMS Victory Conservation Project Plan. Significant changes were made to the project plan during 2022 that accelerate certain project activities to enable work to be completed more quickly and to the same quality, but that will result in increased expenditure in the early years, although significantly lower total expenditure in aggregate over the life of the project. This increased rate of expenditure has had a significant impact on the Trustees' view of the anticipated life of the Fund.

Investment Policy

The Trustees completed a review of the Investment Policy and Investment Managers at their meeting of 10 December 2021, which resulted in the Trustees resolving to hold all funds with one investment manager, Cazenove. They took into account the anticipated grant funding requests for the revised Conservation Project Plan, which indicated a high level of grant requests in the 2023-24 financial year.

The current investment objective is to maintain the cash and liquidity available to meet anticipated near-term grant funding requests (defined as the next 12 months) and to invest the remaining assets in a way consistent with the expected project timeframe.

The forecast of expenditure of NMRN Operations at the date of approving this investment policy showed that the capital resources of the Endowment Fund will have been fully expended by the 2026-27 financial year. Any forecast should be treated with some caution, given the complexities of the Conservation Programme Plan and the impact of the current economic environment on both the work programme and investment performance. The latest projections indicate that at the anticipated level of future grant making, taking into account anticipated future investment returns, the Endowment Fund will now be fully expended during the first half of the 2027-28 financial year. The trustees considered our Investment Objectives and did not consider any change in approach was required.

The Endowment Fund seeks to produce the best possible financial return within an acceptable level of risk. Return can be achieved by either income or capital gain, but given the duration of the fund, significant volatility in the investment portfolio is undesirable. The Endowment Fund will seek to strike a balance between equity investments, which provide the best opportunity for capital retention and growth in excess of inflation, and fixed investments such as cash and bonds, which provide lower volatility and more certain returns. The trustees have determined they have a conservative approach to risk.

Subject to the above, the Endowment Fund 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 assets, private equity, commodities and any other asset class that is deemed suitable. The Trustees do not wish to invest directly in property. In making investments, the Trustees may take into consideration the fact that the Preservation Company fund, which shares the identical objectives, will not be using its capital and will be available to take up the funding needs of HMS *Victory* after the Endowment Fund is expended. The Trustees will agree a suitable asset allocation framework with the chosen Investment Managers

The base currency of the investment portfolio is Sterling. Investments may be made in non-sterling assets. Hedging is permitted.

The Endowment Fund shall, through the chosen Investment Managers, maintain a cash reserve to fund near-term requirements for funding the programme of work on HMS *Victory*. The Investment Managers manage the Endowment Fund's assets on a discretionary basis in line with this policy. The Investment Managers provide custody of assets and each is required to produce a quarterly valuation and performance report.

The Trustees are responsible for agreeing strategy and monitoring the investment assets, and the performance of the Investment Managers and will meet at least annually to review the portfolios, including an analysis of return, asset allocation and risk. This will include monitoring and reviewing the fees charged. No specific ethical investment restriction is placed in the Investment Managers' remit. The trustees are content that the corporate socially responsible investment policies of the Investment Managers meets their needs.

Reserves Policy

The Trustees regularly monitor the levels of the Endowment Fund's liquid and total reserves. Due to the expected higher grant requests in the coming year, the Trustees needed to hold additional liquidity. On advice from their Investment Manager the Trustees opened a short term liquidity fund to maintain easily accessible assets sufficient to meet anticipated grant requests in the next twelve months, and to avoid selling of investments assets at a sub-optimum time in a potentially declining market. This accounts for the majority of the decline in Endowment Funds, and increase in Unrestricted Income Funds, shown in the accounts.

Grant Making Policies

The Endowment Fund exists to support the charitable objects of the HMS Victory Preservation Company. In so doing, the Endowment Fund expects to make a grant to NMRN Operations based on the budget proposed for preservation, maintenance and operation of the Ship. In addition, occasional grants may be made to fund specific projects and one-off expenditure that support the charitable objects. The Endowment Fund received and made grant funding requests totalling £1,107,567 for the preservation, maintenance and operation of HMS *Victory* in the year to 31 March 2024.

Related Parties

The related parties of the HMS Victory Preservation Endowment Fund are disclosed in note 13 to the accounts.

Financial Review

Results for the Year Ended 31 March 2024

The trustees were pleased to be able to report that after making grants totalling £1,107,567 they are still able to report a decline in net assets of only £79,051. This was due to a very satisfactory investment return during the year as set out below.

Total income from investments for the HMS Victory Preservation Endowment Fund in 2023-24 amounted to £413,188 (2022-23: £287,081).

Total expenditure for 2023-24 amounted to £1,176,683 (2022-23: £8,178,158). After net gains on mid-market valuation of investments of £684,444 (2022-23: losses of £464,428), the net movement in funds for the year was a decrease of £79,051 (2022-23: decrease of £8,355,505).

The net assets as at 31 March 2024 amounted to £14,290,431 (31 March 2023: £14,369,482).

Changes in Fixed Assets

Movements in fixed asset investments are shown in note 7 to the accounts.

Auditors

The accounts have been audited by Price Bailey LLP. So far as the Trustees are aware, there is no relevant audit information of which the charity'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 charity's auditors are aware of that information.



Mr Keith Morris

Date: 22/1/2025

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales 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 charity and of the incoming resources and application of resources of the charity 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Mr Keith Morris

Date: 22nd January 2025

Independent auditors' report to the Trustees of HMS Victory Preservation Endowment Fund

Opinion

We have audited the financial statements of the HMS Victory Preservation Endowment Fund (the 'charity') 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 Charity'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 Charities Act 2011.

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 Charity 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 Charity'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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees Responsibilities, the trustees are responsible for the preparation of financial statements which 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 charity'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 charity 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 Charity 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 Charity in this regard to be those arising from the 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. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity'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. 23 January 2025

Statement of financial activities
For the year ended 31 March 2024

	Notes	Unrestricted funds £	Endowment funds £	2024 Total £	Unrestricted funds £	Endowment funds £	2023 Total £
Income from:							
Investments	2	406,624	6,564	413,188	283,317	3,764	287,081
Total income		<u>406,624</u>	<u>6,564</u>	<u>413,188</u>	<u>283,317</u>	<u>3,764</u>	<u>287,081</u>
Expenditure on:							
Investment management costs		1,831	33,440	35,271	4,212	48,969	53,181
Charitable activities	3	1,141,412	-	1,141,412	8,124,977	-	8,124,977
Total expenditure		<u>1,143,243</u>	<u>33,440</u>	<u>1,176,683</u>	<u>8,129,189</u>	<u>48,969</u>	<u>8,178,158</u>
Net gains/(losses) on investments	7	-	684,444	684,444	-	(464,428)	(464,428)
Transfers between funds		<u>2,142,990</u>	<u>(2,142,990)</u>	<u>-</u>	<u>2,902</u>	<u>(2,902)</u>	<u>-</u>
Net movement in funds		<u>1,406,371</u>	<u>(1,485,422)</u>	<u>(79,051)</u>	<u>(7,842,970)</u>	<u>(512,535)</u>	<u>(8,355,505)</u>
Reconciliation of funds							
Total funds brought forward		<u>3,579,857</u>	<u>10,789,625</u>	<u>14,369,482</u>	<u>11,422,827</u>	<u>11,302,160</u>	<u>22,724,987</u>
Total funds carried forward		<u>4,986,228</u>	<u>9,304,203</u>	<u>14,290,431</u>	<u>3,579,857</u>	<u>10,789,625</u>	<u>14,369,482</u>

The statement of financial activities includes all gains and losses in the year.

All of the above amounts relate to continuing activities.

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

Balance sheet
as at 31 March 2024

	Notes	2024	2023
		£	£
Fixed assets			
Investments	7	9,385,878	11,078,903
Current assets			
Investments	7	4,975,745	3,349,249
Debtors	8	13,187	6,623
Total current assets		4,988,932	3,355,872
Creditors: amounts falling due within one year	9	(84,379)	(65,293)
Net current assets		4,904,553	3,290,579
Net assets		14,290,431	14,369,482
Funds	10		
Endowment funds	12	9,304,203	10,789,625
Unrestricted income funds	11	4,986,228	3,579,857
Total funds		14,290,431	14,369,482

The financial statements were approved by the Trustees and signed on their behalf by



Mr K Morris
Trustee

Date: 22nd January 2025

Cash flow statement for the year ended 31 March 2024

	2024 £	2023 £
Cashflows from operating activities:		
Net cash (outflow)/inflow from operating activities	(2,744,162)	(207,902)
Cash flows from investing activities:		
Dividends and interest from investments	413,188	287,081
Purchase of investments	(435,020)	-
Disposal of investments	2,578,010	1,546
Movement in cash held in investments	187,984	(199,914)
Net cash provided by (used in) investing activities	<u>2,744,162</u>	<u>88,713</u>
Change in cash and cash equivalents in the reporting period	-	(119,189)
Cash and cash equivalents at 1 April 2023	<u>-</u>	<u>119,189</u>
Total cash and cash equivalents at 31 March 2024	<u><u>-</u></u>	<u><u>-</u></u>
Net (expenditure)/income for the year	(79,051)	(8,355,505)
Income from investments	(413,188)	(287,081)
Losses /(Gains) on investments	(684,444)	464,428
Adjustment for non-cash fees from gains/losses	46,495	48,062
Decrease /(Increase) in short term investments	(1,626,496)	7,878,636
(Increase)/Decrease in debtors	(6,564)	(3,779)
Increase/(Decrease) in creditors	19,086	47,337
Net cash (used in)/provided by operating activities	<u><u>(2,744,162)</u></u>	<u><u>(207,902)</u></u>

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

1. Accounting policies

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and the preceding year.

1.1. Charity information

The HMS Victory Preservation Endowment Fund is a registered charity, number 1147573. The business address is HM Naval Base PP66, Portsmouth, Hampshire, PO1 3NH. The HMS Victory Preservation Endowment Fund meets the definition of a public benefit entity under section 34 of FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value, unless otherwise stated in the relevant accounting policy. The principal objectives of the charity are detailed in the Trustees report.

1.2. Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued in October 2019, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2019.

The financial statements have been prepared on a going concern basis as the trustees believe that no material uncertainties exist. The trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern.

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value. The financial statements are presented in sterling which is the functional currency of the charity. 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.

Endowment funds are funds which the donor has stated are to be held as capital and expendable over the long term.

1.4. Incoming resources

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably. 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.

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

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

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

1.5. Grants receivable

Revenue grants are credited to incoming resources on the earlier date of when they are received or when they are receivable. If a grant of donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the charity's control and it is probable those conditions will be met in the accounting period.

Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable. Depreciation on the fixed assets purchased with such grants is charged against the restricted fund.

1.6. Resources expended

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

Charitable expenditure comprises those costs incurred by the charity 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 charity and include project management.

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

1.7. Investments

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

2. Investment income

	Unrestricted funds	Endowment funds	2024 Total	Unrestricted funds	Endowment funds	2023 Total
	£	£	£	£	£	£
Income from UK listed investments	368,047	6,564	374,611	266,100	3,764	269,864
Interest income	38,577	-	38,577	17,217	-	17,217
	<u>406,624</u>	<u>6,564</u>	<u>413,188</u>	<u>283,317</u>	<u>3,764</u>	<u>287,081</u>

3. Costs of charitable activities - by fund type

	Unrestricted funds	2024 Total	Unrestricted funds	2023 Total
	£	£	£	£
HMS Victory Preservation	<u>1,141,412</u>	<u>1,141,412</u>	<u>8,124,977</u>	<u>8,124,977</u>

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

4. Costs of charitable activities - by activity

	Activities undertaken directly £	Governance and support costs £	2024 Total £	2023 Total £
Governance and support costs	-	33,845	33,845	52,329
Grant to NMRN Operations (Charity 1169061)	1,107,567	-	1,107,567	7,783,648
Grant to the National Museum of the Royal Navy (Charity 1126283)	-	-	-	289,000
	<u>1,107,567</u>	<u>33,845</u>	<u>1,141,412</u>	<u>8,124,977</u>

5. Governance and support costs

	Unrestricted funds £	2024 Total £	Unrestricted funds £	2023 Total £
Accountancy fees	1,203	1,203	1,704	1,704
Auditor remuneration	10,082	10,082	6,022	6,022
Administration and support costs	17,040	17,040	42,000	42,000
Bank charges	-	-	30	30
Legal & professional fees	-	-	1,356	1,356
Other governance costs	5,520	5,520	1,217	1,217
	<u>33,845</u>	<u>33,845</u>	<u>52,329</u>	<u>52,329</u>

6. Trustees' emoluments

No Trustees received remuneration during the year (2023: Nil). No expenses have been paid to the Trustees during the year (2023: £Nil).

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

7. Fixed asset investments

	Listed investments £	Total £
Valuation		
At 1 April 2023	10,732,051	10,732,051
Additions	435,020	435,020
Disposals	(2,578,010)	(2,578,010)
Gains and losses before management fees	684,444	
Less management fees deducted	(46,495)	
Net increase in investment market value	(637,949)	(637,949)
At 31 March 2024	9,227,010	9,227,010
Cash held in investments		
At 1 April 2023		346,852
Net movement in the year		(187,984)
At 31 March 2024		158,868
Total investment value at 1 April 2023		11,078,903
Total investment value at 31 March 2024		9,385,878
Historical cost as at 31 March 2024		16,774,220
Historical cost as at 31 March 2023		14,631,230

The investment portfolio also includes £4,975,745 (2023: £3,349,249) of short-term low-volatility variable net asset value money-market funds.

8. Debtors

	2024 £	2023 £
Other debtors	12,879	6,315
Prepayments	308	308
	13,187	6,623

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

	2024 £	2023 £
Other creditors	13,202	11,360
Accruals and deferred income	71,177	53,933
	84,379	65,293

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

10. Analysis of net assets between funds

	Unrestricted funds	Endowment funds	2024 Total funds
	£	£	£
Fund balances at 31 March 2024 as represented by:			
Investment assets	158,868	9,227,010	9,385,878
Current assets	4,911,002	77,930	4,988,932
Current liabilities	(83,642)	(737)	(84,379)
	<u>4,986,228</u>	<u>9,304,203</u>	<u>14,290,431</u>
	Unrestricted funds	Endowment funds	2023 Total funds
	£	£	£
Fund balances at 31 March 2023 as represented by:			
Investment assets	346,852	10,732,051	11,078,903
Current assets	3,284,506	71,366	3,355,872
Current liabilities	(51,501)	(13,792)	(65,293)
	<u>3,579,857</u>	<u>10,789,625</u>	<u>14,369,482</u>

11. Unrestricted funds

	At 1 April 2023 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2024 £
Unrestricted Funds	<u>3,579,857</u>	<u>406,624</u>	<u>(1,143,243)</u>	<u>-</u>	<u>2,142,990</u>	<u>4,986,228</u>
	At 1 April 2022 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2023 £
Unrestricted Funds	<u>11,422,827</u>	<u>283,317</u>	<u>(8,129,189)</u>	<u>-</u>	<u>2,902</u>	<u>3,579,857</u>

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

12. Endowment funds

	At 1 April 2023 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2024 £
Endowment Funds	10,789,625	6,564	(33,440)	684,444	(2,142,990)	9,304,203

	At 1 April 2022 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2023 £
Endowment Funds	11,302,160	3,764	(48,969)	(464,428)	(2,902)	10,789,625

Transfers to unrestricted funds reflect amounts disinvested to facilitate the grant to NMRN Operations.

13. Related party transactions

There were no related party transactions during the period (2023: None).

HMS VICTORY PRESERVATION ENDOWMENT FUND

England & Wales - Charity number 1147573

Accounts

Charity number: 1147573

The HMS Victory Preservation Endowment Fund

Trustees' report and financial statements

for the year ended 31 March 2023

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Legal and administrative information

Charity number	1147573
Business address	HM Naval Base (PP66) Portsmouth Hampshire PO13 3NH
Trustees	Mr Keith W Morris Mr John D Dagg Mr Robert M N Norman Mr Keith Scott
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 Bank Plc 16A High Street, Cosham, Portsmouth Hampshire PO6 3DY

Trustees' annual report For the year ended 31 March 2023

The Trustees present their report and the financial statements for the year ended 31 March 2023. The Trustees have had due regard to the guidance issued by the Charity Commission on Public Benefit. The Trustees have 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 charity.

The financial statements have been prepared in accordance with the accounting policies set out in notes to the accounts and comply with the charity's governing document, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Structure, governance and management

The charity is governed by the Declaration of Trust dated 26 March 2012. This document imposes no restriction to prohibit the trustees from spending the entire capital of the endowment in furtherance of the objectives of the charity. The Trustees anticipate, subject to receiving acceptable grant requests, that the endowment will be fully expended by the 2027-28 financial year. They note that a sister fund, managed by the HMS Victory Preservation Company, which shares identical objectives, holds significant resources and the Company has indicated its intention to continue supporting the restoration of HMS *Victory* after the endowment is spent.

A formal induction process for Trustees is in place which combines all the necessary background reading material including items such as the governing document, minutes of recent meetings, the Charity Commission's publication "The Essential Trustee: what you need to know", and the Museum Association's publication "Code of Ethics for Trustees". Trustees are encouraged to visit HMS *Victory* and the National Museum of the Royal Navy's Head Office in Portsmouth, to meet key members of staff and to discuss current issues.

The Trustees meet regularly, at least twice a year and more as required, to review and consider performance of invested funds with the appointed fund managers and to consider requests for grant funding from NMRN Operations (charity number: 1169061). The Trustees regularly review any potential conflicts of interest.

Objectives and activities

On 29 March 2012, the ownership of HMS *Victory* transferred to the HMS Victory Preservation Trust, a registered charitable trust of the HMS Victory Preservation Company (company number 7935358 and registered charity number 1146376). HMS Victory Preservation Company is a wholly owned subsidiary of the National Museum of the Royal Navy (Company number 6699696 and registered charity number 1126283) ("the National Museum"). At the same time, the Ministry of Defence transferred £25 million into a completely independent charitable trust, the Endowment Fund, for the purposes of supporting the HMS Victory Preservation Company in pursuance of their charitable objects, which are:

- a) To preserve, restore and maintain HMS *Victory*, the flagship of Lord Nelson at the Battle of Trafalgar;
- b) To educate 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 Trustees of the HMS Victory Preservation 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 (company number 9988314 and registered charity number 1169061), also a wholly owned subsidiary of the National Museum, that it will restore and maintain the Ship and present it as a visitor attraction to the public as part of its charitable activities.

Achievements and Performance

Last year the charity was pleased to report that it had made grants totalling £12.7 million in the 10 years since it was founded towards the restoration of HMS Victory to NMRN Operations and the HMS Victory Preservation Company.

This year we are able to report that we have continued to approve and make grants and have made the largest amount of grants we have ever made in one financial year totalling £8,072,648 towards work on and connected with HMS Victory, including the activities set out in this report. The largest single item was an amount of £6,160,296 to purchase a scaffold structure now very prominently covering the midships whilst detailed restoration work takes place in secure dry conditions. Once the work on the middships is complete the scaffold will be reused over the bow and stern to complete the work.

Developing the Conservation Approach:

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 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, the Conservation Management Plan (CMP) was also reviewed by both NMRN Operations and the Victory Technical Committee and updated to ensure it was future proofed and supported the planned programme. The updated CMP is due for approval by the HMS Victory Preservation Company.

Efforts in the year have concentrated in the areas of preparing the ship for plank removal. A programme of surveys and testing mandated by legislation, along with preservation of weather deck areas was completed. Work was undertaken through support of the 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.

Delivery of the Conservation Project Plan:

Installation of a scaffolding structure – An impressive scaffold structure was erected over the ship which allowed the conservation teams to undertake the programme of works. Scaffold interpretation work was also introduced to improve the visitor experience that offered a visual identity. The experience was named ‘Victory Live: The Big Repair’ which 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.

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

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

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 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 publicise across websites, social media and within the Victory Live experience and can be found on the NMRN 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.

Public Engagement:

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

The NMRN website was upgraded during the year which allowed ease of use for visitors to book tickets for HMS Victory.

NMRN continue to regularly meet with the Royal Navy Communications and Engagement Teams to plan priority events, including those supporting joint working, example includes the display of the Peregrine Trophy winners for the year.

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

The Nelson In his Own Words: Treasures from the Aikatriin Laskarisis Foundation 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.

NMRN opened its online collections service in September 2022 and a number of HMS Victory collections 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 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 would be used to assess the effectiveness and sustainability of the conservation strategies and highlight what HMS Victory and the Mary Rose may learn from each other.

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 2022 ceremony was broadcast online via the Facebook Live platform, enabling it to reach a wide, diverse audience.

Subsequent Events

The Endowment Fund expects to receive and consider further grant requests from NMRN Operations in the 2023-24 financial year, and subsequent financial years, for funding to support the HMS Victory Conservation Project Plan. Significant changes were made to the project plan during 2022 that accelerate certain project activities to enable work to be completed more quickly and to the same quality, but that will result in increased expenditure in the early years, although significantly lower total expenditure in aggregate over the life of the project. This increased rate of expenditure will have a significant impact on the Trustees' view of the anticipated life of the Fund.

Investment Policy

The Trustees completed a review of the Investment Policy and Investment Managers at their meeting of 10 December 2021, which resulted in the Trustees resolving to hold all funds with one investment manager, Cazenove. They took into account the anticipated grant funding requests for the revised Conservation Project Plan, which indicated a high level of grant requests in the 2022-23 financial year. As a result of this approach, investments held by the other fund manager which had been sold, mainly during the 4th quarter of 2022, were retained as cash.

The current investment objective is to maintain the cash and liquidity available to meet anticipated near-term grant funding requests (defined as the next 12 months) and to invest the remaining assets in a way consistent with the expected project timeframe.

The forecast of expenditure of NMRN Operations at the date of approving this investment policy showed that the capital resources of the Endowment Fund will have been fully expended by the 2027-28 financial year. Any forecast should be treated with some caution, given the complexities of the Conservation Programme Plan and the impact of the current economic environment on both the work programme and investment performance.

The Endowment Fund seeks to produce the best possible financial return within an acceptable level of risk. Return can be achieved by either income or capital gain, but given the duration of the fund, significant volatility in the investment portfolio is undesirable. The Endowment Fund will seek to strike a balance between equity investments, which provide the best opportunity for capital retention and growth in excess of inflation, and fixed investments such as cash and bonds, which provide lower volatility and more certain returns. The trustees have determined they have a conservative approach to risk.

Subject to the above, the Endowment Fund 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 assets, private equity, commodities and any other asset class that is deemed suitable. The Trustees do not wish to invest directly in property. In making investments, the Trustees may take into consideration the fact that the Preservation Company fund, which shares the identical objectives, will not be using its capital and will be available to take up the funding needs of HMS *Victory* after the Endowment Fund is expended. The Trustees will agree a suitable asset allocation framework with the chosen Investment Managers

The base currency of the investment portfolio is Sterling. Investments may be made in non-sterling assets. Hedging is permitted.

The Endowment Fund shall, through the chosen Investment Managers, maintain a cash reserve to fund near-term requirements for funding the programme of work on HMS *Victory*. The Investment Managers manage the Endowment Fund's assets on a discretionary basis in line with this policy. The Investment Managers provide custody of assets and each is required to produce a quarterly valuation and performance report.

The Trustees are responsible for agreeing strategy and monitoring the investment assets, and the performance of the Investment Managers and will meet at least annually to review the portfolios, including an analysis of return, asset allocation and risk. This will include monitoring and reviewing the fees charged. No specific ethical investment restriction is placed in the Investment Managers' remit. The trustees are content that the corporate socially responsible investment policies of the Investment Managers meets their needs.

Reserves Policy

The Trustees regularly monitor the levels of the Endowment Fund's liquid and total reserves. Due to the expected higher grant requests in the coming year, the Trustees needed to hold additional liquidity. On advice from their Investment Manager the Trustees opened a short term liquidity fund to maintain easily accessible assets sufficient to meet anticipated grant requests in the next twelve months, and to avoid selling of investments assets at a sub-optimum time in a potentially declining market. This accounts for the majority of the decline in Endowment Funds, and increase in Unrestricted Income Funds, shown in the accounts.

Grant Making Policies

The Endowment Fund exists to support the charitable objects of the HMS Victory Preservation Company. In so doing, the Endowment Fund expects to make a grant to NMRN Operations based on the budget proposed for preservation, maintenance and operation of the Ship. In addition, occasional grants may be made to fund specific projects and one-off expenditure that support the charitable objects. The Endowment Fund received and made grant funding requests totalling £8,072,648 for the preservation, maintenance and operation of HMS *Victory* in the year to 31 March 2023.

Related Parties

The related parties of the HMS Victory Preservation Endowment Fund are disclosed in note 14 to the accounts.

Financial Review

Results for the Year Ended 31 March 2023

Total income from investments for the HMS Victory Preservation Endowment Fund in 2022-23 amounted to £287,081 (2021-22: £223,847).

Total expenditure for 2022-23 amounted to £8,178,158 (2021-22: £1,109,008). After net losses on mid-market valuation of investments of £464,428 (2021-22: gains of £891,581) arising from market volatility, the net movement in funds for the year was a decrease of £8,355,505 (2021-22: increase of £6,420).

The net assets as at 31 March 2023 amounted to £14,369,482 (31 March 2022: £22,724,987).

Changes in Fixed Assets

Movements in fixed asset investments are shown in note 8 to the accounts.

Principal Risks and Uncertainties

The principal risk to the Endowment Fund's, amount available to make grants, lies in the volatility of investments in equities. Sale of these in a depressed market would lead to less monies being available to the trustees to distribute. This risk is managed by reducing the percentage of equities held and increasing the cash and fixed interest portfolio as the fund reduces in size. In addition the trustees only approve grants where the fund holds cash sufficient to meet the amount granted. This process is managed through a clearly defined investment policy; the selection of an investment manager that is fully briefed on that policy; and regular reviews of investment manager performance to confirm that the assets are in line with the policy.

Auditors

The accounts have been audited by PKF Littlejohn LLP. So far as the Trustees are aware, there is no relevant audit information of which the charity'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 charity's auditors are aware of that information.



Mr Keith Morris

Date: 24 January 2024

Statement of Trustees' responsibilities
for the year ended 31 March 2023

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales 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 charity and of the incoming resources and application of resources of the charity 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Mr Keith Morris

Date: 24 January 2024

Independent auditors' report to the Trustees of HMS Victory Preservation Endowment Fund

Opinion

We have audited the financial statements of the HMS Victory Preservation Endowment Fund (the 'charity') 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 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 charity'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 Charities Act 2011.

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 charity 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 charity'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 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees Responsibilities, the trustees are responsible for the preparation of financial statements which 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 charity'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 charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 charity 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 charity in this regard to be those arising from the 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 timing of recognition of grant expenditure. We addressed this through review of all material grant agreements and correspondence to ensure correct treatment under the Charities SORP, including consideration of the accounting period in which expenditure should be recognised.

- 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 charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's trustees 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: 25 January 2024

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
For the year ended 31 March 2023

	Notes	Unrestricted funds £	Endowment funds £	2023 Total £	Unrestricted funds £	Endowment funds £	2022 Total £
Income from:							
Donations		-	-	-	30	-	30
Investments	2	283,317	3,764	287,081	179,352	44,465	223,817
Total income		<u>283,317</u>	<u>3,764</u>	<u>287,081</u>	<u>179,382</u>	<u>44,465</u>	<u>223,847</u>
Expenditure on:							
Investment management costs	3	4,212	48,969	53,181	2,466	50,788	53,254
Charitable activities	4	8,124,977	-	8,124,977	1,055,754	-	1,055,754
Total expenditure		<u>8,129,189</u>	<u>48,969</u>	<u>8,178,158</u>	<u>1,058,220</u>	<u>50,788</u>	<u>1,109,008</u>
Net gains/(losses) on investments	8	-	(464,428)	(464,428)	-	891,581	891,581
Transfers between funds		<u>2,902</u>	<u>(2,902)</u>	<u>-</u>	<u>8,493,526</u>	<u>(8,493,526)</u>	<u>-</u>
Net movement in funds		<u>(7,842,970)</u>	<u>(512,535)</u>	<u>(8,355,505)</u>	<u>7,614,688</u>	<u>(7,608,268)</u>	<u>6,420</u>
Reconciliation of funds							
Total funds brought forward		<u>11,422,827</u>	<u>11,302,160</u>	<u>22,724,987</u>	<u>3,808,139</u>	<u>18,910,428</u>	<u>22,718,567</u>
Total funds carried forward		<u><u>3,579,857</u></u>	<u><u>10,789,625</u></u>	<u><u>14,369,482</u></u>	<u><u>11,422,827</u></u>	<u><u>11,302,160</u></u>	<u><u>22,724,987</u></u>

The statement of financial activities includes all gains and losses in the year.

All of the above amounts relate to continuing activities.

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

Balance sheet
as at 31 March 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Investments	8		11,078,903		11,393,025
Current assets					
Investments	8	3,349,249		11,227,885	
Debtors	9	6,623		2,844	
Cash at bank and in hand		-		119,189	
Total current assets		3,355,872		11,349,918	
Creditors: amounts falling due within one year	10	(65,293)		(17,956)	
Net current assets			3,290,579		11,331,962
Net assets			14,369,482		22,724,987
Funds	11				
Endowment funds	13		10,789,625		11,302,160
Unrestricted income funds	12		3,579,857		11,422,827
Total funds			14,369,482		22,724,987

The financial statements were approved by the Trustees and signed on their behalf by



Mr K Morris
Trustee

Date: 24 January 2024

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

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

	2023	2022
	£	£
Cashflows from operating activities:		
Net cash (outflow)/inflow from operating activities	(207,902)	(8,595,105)
Cash flows from investing activities:		
Dividends and interest from investments	287,081	223,817
Purchase of investments	-	(1,854,089)
Disposal of investments	1,546	10,301,452
Movement in cash held in investments	(199,914)	(104,519)
Net cash provided by (used in) investing activities	<u>88,713</u>	<u>8,566,661</u>
Change in cash and cash equivalents in the reporting period	(119,189)	(28,444)
Cash and cash equivalents at 1 April 2022	<u>119,189</u>	<u>147,633</u>
Total cash and cash equivalents at 31 March 2023	<u><u>-</u></u>	<u><u>119,189</u></u>
Net (expenditure)/income for the year	(8,355,505)	6,420
Income from investments	(287,081)	(223,817)
Losses /(Gains) on investments	464,428	(891,581)
Adjustment for non-cash fees from gains/losses	48,062	50,179
Decrease /(Increase) in short term investments	7,878,636	(7,515,611)
(Increase)/Decrease in debtors	(3,779)	1,655
Increase/(Decrease) in creditors	47,337	(22,350)
Net cash (used in)/provided by operating activities	<u><u>(207,902)</u></u>	<u><u>(8,595,105)</u></u>

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

1. Accounting policies

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and the preceding year.

1.1. Charity information

The HMS Victory Preservation Endowment Fund is a registered charity, number 1147573. The business address is HM Naval Base PP66, Portsmouth, Hampshire, PO1 3NH. The HMS Victory Preservation Endowment Fund meets the definition of a public benefit entity under section 34 of FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value, unless otherwise stated in the relevant accounting policy. The principal objectives of the charity are detailed in the Trustees report.

1.2. Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued in October 2019, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2019.

The financial statements have been prepared on a going concern basis as the trustees believe that no material uncertainties exist. The trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern.

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value. The financial statements are presented in sterling which is the functional currency of the charity. 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.

Endowment funds are funds which the donor has stated are to be held as capital and expendable over the long term.

1.4. Incoming resources

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably. 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.

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

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

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

1.5. Grants receivable

Revenue grants are credited to incoming resources on the earlier date of when they are received or when they are receivable. If a grant of donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the charity's control and it is probable those conditions will be met in the accounting period.

Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable. Depreciation on the fixed assets purchased with such grants is charged against the restricted fund.

1.6. Resources expended

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

Charitable expenditure comprises those costs incurred by the charity 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 charity and include project management.

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

1.7. Investments

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

2. Investment income

	Unrestricted funds £	Endowment funds £	2023 Total £	Unrestricted funds £	Endowment funds £	2022 Total £
Income from UK listed investments	266,100	3,764	269,864	179,296	37,729	217,025
Interest income	17,217	-	17,217	56	6,736	6,792
	<u>283,317</u>	<u>3,764</u>	<u>287,081</u>	<u>179,352</u>	<u>44,465</u>	<u>223,817</u>

3. Investment management costs

	Unrestricted funds £	Endowment funds £	2023 Total £	Unrestricted funds £	Endowment funds £	2022 Total £
Investment management fees	4,212	48,969	53,181	2,466	50,788	53,254
	<u>4,212</u>	<u>48,969</u>	<u>53,181</u>	<u>2,466</u>	<u>50,788</u>	<u>53,254</u>

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

4. Costs of charitable activities - by fund type

	Unrestricted funds £	2023 Total £	Unrestricted funds £	2022 Total £
HMS Victory Preservation	8,124,977	8,124,977	1,055,754	1,055,754
	<u>8,124,977</u>	<u>8,124,977</u>	<u>1,055,754</u>	<u>1,055,754</u>

5. Costs of charitable activities - by activity

	Activities undertaken directly £	Governance and support costs £	2023 Total £	2022 Total £
HMS Victory Preservation	42,000	10,329	52,329	30,754
Grant to NMRN Operations (Charity 1169061)	7,783,648	-	7,783,648	750,000
Grant to the National Museum of the Royal Navy (Charity 1126283)	289,000	-	289,000	275,000
	<u>8,114,648</u>	<u>10,329</u>	<u>8,124,977</u>	<u>1,055,754</u>

6. Governance and support costs

	Unrestricted funds £	2023 Total £	Unrestricted funds £	2022 Total £
Accountancy fees	1,704	1,704	1,702	1,702
Auditor remuneration	6,022	6,022	2,606	2,606
Bank charges	30	30	30	30
Legal & professional fees	1,356	1,356	-	-
Other governance costs	1,217	1,217	1,133	1,133
	<u>10,329</u>	<u>10,329</u>	<u>5,471</u>	<u>5,471</u>

7. Trustees' emoluments

No Trustees received remuneration during the year (2022: Nil). No expenses have been paid to the Trustees during the year (2022: £Nil).

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

8. Fixed asset investments

	Listed investments £	Total £
Valuation		
At 1 April 2022	11,246,087	11,246,087
Additions	-	-
Disposals	(1,546)	(1,546)
Gains and losses before management fees	(464,428)	
Less management fees deducted	(48,062)	
	<u>(512,490)</u>	
Net increase in investment market value	(512,490)	(512,490)
At 31 March 2023	<u>10,732,051</u>	<u>10,732,051</u>
 Cash held in investments		
At 1 April 2022		146,938
Net movement in the year		199,914
At 31 March 2023		<u>346,852</u>
 Total investment value at 1 April 2022		<u>11,393,025</u>
 Total investment value at 31 March 2023		<u>11,078,903</u>
 Historical cost as at 31 March 2023		<u>16,774,220</u>
Historical cost as at 31 March 2022		<u>16,574,306</u>

The investment portfolio also includes £3,349,249 (2022: £11,227,885) of short-term low-volatility variable net asset value money-market funds.

9. Debtors

	2023 £	2022 £
Other debtors	6,315	2,551
Prepayments	308	293
	<u>6,623</u>	<u>2,844</u>

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

	2023 £	2022 £
Other creditors	11,360	4,726
Accruals and deferred income	53,933	13,230
	<u>65,293</u>	<u>17,956</u>

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

11. Analysis of net assets between funds

	Unrestricted funds £	Endowment funds £	2023 Total funds £
Fund balances at 31 March 2023 as represented by:			
Investment assets	346,852	10,732,051	11,078,903
Current assets	3,284,506	71,366	3,355,872
Current liabilities	(51,501)	(13,792)	(65,293)
	<u>3,579,857</u>	<u>10,789,625</u>	<u>14,369,482</u>

	Unrestricted funds £	Endowment funds £	2022 Total funds £
Fund balances at 31 March 2022 as represented by:			
Investment assets	-	11,393,025	11,393,025
Current assets	11,349,918	-	11,349,918
Current liabilities	72,909	(90,865)	(17,956)
	<u>11,422,827</u>	<u>11,302,160</u>	<u>22,724,987</u>

12. Unrestricted funds

	At 1 April 2022 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2023 £
Unrestricted Funds	<u>11,422,827</u>	<u>283,317</u>	<u>(8,129,189)</u>	<u>-</u>	<u>2,902</u>	<u>3,579,857</u>

	At 1 April 2021 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2022 £
Unrestricted Funds	<u>3,808,139</u>	<u>179,382</u>	<u>(1,058,220)</u>	<u>-</u>	<u>8,493,526</u>	<u>11,422,827</u>

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

13. Endowment funds

	At 1 April 2022 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2023 £
Endowment Funds	<u>11,302,160</u>	<u>3,764</u>	<u>(48,969)</u>	<u>(464,428)</u>	<u>(2,902)</u>	<u>10,789,625</u>

	At 1 April 2021 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2022 £
Endowment Funds	<u>18,910,428</u>	<u>44,465</u>	<u>(50,788)</u>	<u>891,581</u>	<u>(8,493,526)</u>	<u>11,302,160</u>

14. Related party transactions

There were no related party transactions during the period.

HMS VICTORY PRESERVATION ENDOWMENT FUND

England & Wales - Charity number 1147573

Accounts

Charity number: 1147573

The HMS Victory Preservation Endowment Fund

Trustees' report and financial statements

for the year ended 31 March 2022

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Legal and administrative information

Charity number	1147573
Business address	HM Naval Base (PP66) Portsmouth Hampshire PO13 3NH
Trustees	Mr Keith W Morris Mr John D Dagg Mr Robert M N Norman Mr Keith Scott
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 Bank Plc 16A High Street, Cosham, Portsmouth Hampshire PO6 3DY

Trustees' annual report For the year ended 31 March 2022

The Trustees present their report and the financial statements for the year ended 31 March 2022. The Trustees have had due regard to the guidance issued by the Charity Commission on Public Benefit. The Trustees have 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 charity.

The financial statements have been prepared in accordance with the accounting policies set out in notes to the accounts and comply with the charity's governing document, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Structure, governance and management

The charity is governed by the Declaration of Trust dated 26 March 2012. This document imposes no restriction to prohibit the trustees from spending the entire capital of the endowment in furtherance of the objectives of the charity. The Trustees anticipate, subject to receiving acceptable grant requests, that the endowment will be fully expended by the 2027-28 financial year. They note that a sister fund, managed by the HMS Victory Preservation Company, which shares identical objectives, holds significant resources and the Company has indicated its intention to continue supporting the restoration of HMS *Victory* after the endowment is spent.

A formal induction process for Trustees is in place which combines all the necessary background reading material including items such as the governing document, minutes of recent meetings, the Charity Commission's publication "The Essential Trustee: what you need to know", and the Museum Association's publication "Code of Ethics for Trustees". Trustees are encouraged to visit HMS *Victory* and the National Museum of the Royal Navy's Head Office in Portsmouth, to meet key members of staff and to discuss current issues.

The Trustees meet regularly, at least twice a year and more as required, to review and consider performance of invested funds with the appointed fund managers and to consider requests for grant funding from NMRN Operations (charity number: 1169061). The Trustees regularly review any potential conflicts of interest.

Objectives and activities

On 29 March 2012, the ownership of HMS *Victory* transferred to the HMS Victory Preservation Trust, a registered charitable trust of the HMS Victory Preservation Company (company number 7935358 and registered charity number 1146376). HMS Victory Preservation Company is a wholly owned subsidiary of the National Museum of the Royal Navy (Company number 6699696 and registered charity number 1126283) ("the National Museum"). At the same time, the Ministry of Defence transferred £25 million into a completely independent charitable trust, the Endowment Fund, for the purposes of supporting the HMS Victory Preservation Company in pursuance of their charitable objects, which are:

- a) To preserve, restore and maintain HMS *Victory*, the flagship of Lord Nelson at the Battle of Trafalgar;
- b) To educate 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 Trustees of the HMS Victory Preservation 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 (company number 9988314 and registered charity number 1169061), also a wholly owned subsidiary of the National Museum, that it will restore and maintain the Ship and present it as a visitor attraction to the public as part of its charitable activities.

Achievements and Performance

The charity was established in March 2012 and this year celebrates its 10th anniversary. The charity opened with a grant of £25 million and has not actively raised any additional funding. The invested assets at the end of this financial year were £22.6 million, a reduction of £2.4 million in 10 years but, thanks to the successful investment returns achieved by its fund managers, the charity is pleased to have been able to make grants over the 10 years totalling £12.7 million towards the task of maintaining and restoring HMS Victory.

In the year ended 31 March 2022, the Endowment Fund made grants of £1,055,754 (2021: £862,803) to NMRN Operations and the HMS Victory Preservation Company to support their work. 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 was, however, able to continue during the close down period, albeit with some delays, and grant funding was made to support the following:

Developing the Conservation Approach:

The Conservation Programme Plan (CPP) for the Ship was developed by NMRN Operations 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.

Work to further refine the CPP was progressed by NMRN Operations. The delivery of this CPP, having been delayed in 2020 as a result of the pandemic, is now expected to take twelve years at an estimated cost of £35 million to implement.

Delivery of the Conservation Project Plan:

Installation of the new Support System – following the successful implementation of the new 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 the long-standing stabilisation issue, and allowed large-scale conservation work to begin.

Mainmast removal – the lower mainmast was successfully lifted from the Ship in May 2021, to enable it to be investigated and laser scanned and its conservation works to be planned.

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.

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.

Public Engagement:

NMRN Operations opened the new Victory Gallery opened to visitors on 17 May 2021, telling 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 HMS *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. 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. HMS *Victory* also supported a PhD graduate research paper on investigating fungal activity onboard and potential application of magnesium oxide nanoparticles in its amelioration. The research paper was published during 2021 and explains the threat to the timber.

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.

Subsequent Events

The Endowment Fund expects to receive and consider further grant requests from NMRN Operations in the 2022-23 financial year, and subsequent financial years, for funding to support the HMS *Victory* Conservation Project Plan. Significant changes were made to the project plan during 2022 that accelerate certain project activities to enable work to be completed more quickly and to the same quality, but that will result in increased expenditure in the early years, although significantly lower total expenditure in aggregate over the life of the project. This increased rate of expenditure will have a significant impact on the Trustees' view of the anticipated life of the Fund.

Investment Policy

The Trustees completed a review of the Investment Policy and Investment Managers at their meeting of 10 December 2021, which resulted in the Trustees resolving to hold all funds with one investment manager, Cazenove. They took into account the anticipated grant funding requests for the revised Conservation Project Plan, which indicates a high level of grant requests in the 2022-23 financial year. As a result of this approach, investments held by the other fund manager which had been sold, mainly during the 4th quarter of 2021, were retained as cash.

The current investment objective is to maintain the cash and liquidity available to meet anticipated near-term grant funding requests (defined as the next 12 months) and to invest the remaining assets in a way consistent with the expected project timeframe.

The forecast of expenditure of NMRN Operations at the date of approving this investment policy showed that the capital resources of the Endowment Fund will have been fully expended by the 2027-28 financial year. Any forecast should be treated with some caution, given the complexities of the Conservation Programme Plan and the impact of the current economic environment on both the work programme and investment performance.

The Endowment Fund seeks to produce the best possible financial return within an acceptable level of risk. Return can be achieved by either income or capital gain, but given the duration of the fund, significant volatility in the investment portfolio is undesirable. The Endowment Fund will seek to strike a balance between equity investments, which provide the best opportunity for capital retention and growth in excess of inflation, and fixed investments such as cash and bonds, which provide lower volatility and more certain returns. The trustees have determined they have a conservative approach to risk.

Subject to the above, the Endowment Fund 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 assets, private equity, commodities and any other asset class that is deemed suitable. The Trustees do not wish to invest directly in property. In making investments, the Trustees may take into consideration the fact that the Preservation Company fund, which shares the identical objectives, will not be using its capital and will be available to take up the funding needs of HMS *Victory* after the Endowment Fund is expended. The Trustees will agree a suitable asset allocation framework with the chosen Investment Managers

The base currency of the investment portfolio is Sterling. Investments may be made in non-sterling assets. Hedging is permitted.

The Endowment Fund shall, through the chosen Investment Managers, maintain a cash reserve to fund near-term requirements for funding the programme of work on HMS *Victory*. The Investment Managers manage the Endowment Fund's assets on a discretionary basis in line with this policy. The Investment Managers provide custody of assets and each is required to produce a quarterly valuation and performance report.

The Trustees are responsible for agreeing strategy and monitoring the investment assets, and the performance of the Investment Managers and will meet at least annually to review the portfolios, including an analysis of return, asset allocation and risk. This will include monitoring and reviewing the fees charged. No specific ethical investment restriction is placed in the Investment Managers' remit. The trustees are content that the corporate socially responsible investment policies of the Investment Managers meets their needs.

Reserves Policy

The Trustees regularly monitor the levels of the Endowment Fund's liquid and total reserves. Due to the expected higher grant requests in the coming year, the Trustees needed to hold additional liquidity. On advice from their Investment Manager the Trustees opened a short term liquidity fund to maintain easily accessible

The HMS Victory Preservation Endowment Fund
Charity number: 1147573

assets sufficient to meet anticipated grant requests in the next twelve months, and to avoid selling of investments assets at a sub-optimum time in a potentially declining market. This accounts for the majority of the decline in Endowment Funds, and increase in Unrestricted Income Funds, shown in the accounts.

Grant Making Policies

The Endowment Fund exists to support the charitable objects of the HMS Victory Preservation Company. In so doing, the Endowment Fund expects to make a grant to NMRN Operations based on the budget proposed for preservation, maintenance and operation of the Ship. In addition, occasional grants may be made to fund specific projects and one-off expenditure that support the charitable objects. The Endowment Fund received and made grant funding requests totalling £1,055,754 for the preservation, maintenance and operation of HMS *Victory* in the year to 31 March 2022.

Related Parties

The related parties of the HMS Victory Preservation Endowment Fund are disclosed in note 14 to the accounts.

Financial Review

Results for the Year Ended 31 March 2022

Total income from investments for the HMS Victory Preservation Endowment Fund in 2021-22 amounted to £223,817 (2020-21: £199,521).

Total expenditure for 2021-22 amounted to £1,109,008 (2020-21: £974,193). After net gains on mid-market valuation of investments of £891,581 (2020-21: £3,620,669) arising from market volatility, the net movement in funds for the year was an increase of £6,420 (2020-21: £2,845,997).

The net assets as at 31 March 2022 amounted to £22,724,987 (31 March 2021: £22,718,567).

Changes in Fixed Assets

Movements in fixed asset investments are shown in note 8 to the accounts.

Principal Risks and Uncertainties

The principal risks to the Endowment Fund lie in the performance of investments being sufficient to provide the grant funding to NMRN Operations to support the delivery of the Conservation Programme Plan for HMS *Victory*. This is managed through a clearly defined investment policy, selection of investment managers appropriate to that policy and regular review of investment manager performance.

Auditors

The accounts have been audited by PKF Littlejohn LLP. So far as the Trustees are aware, there is no relevant audit information of which the charity'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 charity's auditors are aware of that information.



Mr Keith Morris

Date: 24th January 2023

Statement of Trustees' responsibilities
for the year ended 31 March 2022

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales 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 charity and of the incoming resources and application of resources of the charity 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Mr Keith Morris

Date: 24th January 2023

Independent auditors' report to the Trustees of HMS Victory Preservation Endowment Fund

Opinion

We have audited the financial statements of the HMS Victory Preservation Endowment Fund (the 'charity') 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 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 charity'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 Charities Act 2011.

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 charity 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 charity'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 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees Responsibilities, the trustees are responsible for the preparation of financial statements which 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 charity'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 charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 charity 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 charity in this regard to be those arising from the 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 timing of recognition of grant expenditure. We addressed this through review of all material grant agreements and correspondence to ensure correct treatment under the Charities SORP, including consideration of the accounting period in which expenditure should be recognised.

- 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 charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's trustees 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: 26 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
For the year ended 31 March 2022

	Notes	Unrestricted funds £	Endowment funds £	2022 Total £	Unrestricted funds £	Endowment funds £	2021 Total £
Income from:							
Donations		30	-	30	-	-	-
Investments	2	179,352	44,465	223,817	165,270	34,251	199,521
Total income		<u>179,382</u>	<u>44,465</u>	<u>223,847</u>	<u>165,270</u>	<u>34,251</u>	<u>199,521</u>
Expenditure on:							
Investment management costs	3	2,466	50,788	53,254	541	110,849	111,390
Charitable activities	4	1,055,754	-	1,055,754	862,803	-	862,803
Total expenditure		<u>1,058,220</u>	<u>50,788</u>	<u>1,109,008</u>	<u>863,344</u>	<u>110,849</u>	<u>974,193</u>
Net gains/(losses) on investments	8	-	891,581	891,581	567	3,620,102	3,620,669
Transfers between funds		<u>8,493,526</u>	<u>(8,493,526)</u>	<u>-</u>	<u>3,878,253</u>	<u>(3,878,253)</u>	<u>-</u>
Net movement in funds		<u>7,614,688</u>	<u>(7,608,268)</u>	<u>6,420</u>	<u>3,180,746</u>	<u>(334,749)</u>	<u>2,845,997</u>
Reconciliation of funds							
Total funds brought forward		<u>3,808,139</u>	<u>18,910,428</u>	<u>22,718,567</u>	<u>627,393</u>	<u>19,245,177</u>	<u>19,872,570</u>
Total funds carried forward		<u><u>11,422,827</u></u>	<u><u>11,302,160</u></u>	<u><u>22,724,987</u></u>	<u><u>3,808,139</u></u>	<u><u>18,910,428</u></u>	<u><u>22,718,567</u></u>

The statement of financial activities includes all gains and losses in the year.

All of the above amounts relate to continuing activities.

The notes on pages 17 to 22 form an integral part of these financial statements.

Balance sheet
as at 31 March 2022

		2022		Restated 2021	
	Notes	£	£	£	£
Fixed assets					
Investments	8		11,393,025		18,894,467
Current assets					
Investments	8	11,227,885		3,712,274	
Debtors	9	2,844		4,499	
Cash at bank and in hand		119,189		147,633	
Total current assets		11,349,918		3,864,406	
Creditors: amounts falling due within one year	10	(17,956)		(40,306)	
Net current assets			11,331,962		3,824,100
Net assets			22,724,987		22,718,567
Funds	11				
Endowment funds	13		11,302,160		18,910,428
Unrestricted income funds	12		11,422,827		3,808,139
Total funds			22,724,987		22,718,567

The financial statements were approved by the Trustees and signed on their behalf by



Mr K Morris
Trustee

Date: 24th January 2023

The notes on pages 17 to 22 form an integral part of these financial statements.

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

	2022	Restated
	£	2021
		£
Cashflows from operating activities:		
Net cash inflow/(outflow) from operating activities	(8,595,105)	(4,431,769)
Cash flows from investing activities:		
Dividends and interest from investments	223,817	199,521
Purchase of investments	(1,854,089)	(863,540)
Disposal of investments	10,301,452	4,712,845
Movement in cash held in investments	(104,519)	(14,193)
Net cash provided by (used in) investing activities	<u>8,566,661</u>	<u>4,034,633</u>
Change in cash and cash equivalents in the reporting period	(28,444)	(397,136)
Cash and cash equivalents at 1 April 2021	<u>147,633</u>	<u>544,769</u>
Total cash and cash equivalents at 31 March 2022	<u>119,189</u>	<u>147,633</u>
Net income/(expenditure) for the year	6,420	2,845,997
Income from investments	(223,817)	(199,521)
(Gains)/losses on investments	(891,581)	(3,620,669)
Adjustment for non-cash fees from gains/losses	50,179	135,876
(Increase)/decrease in short term investments	(7,515,611)	(3,335,934)
Decrease/(increase) in debtors	1,655	131,046
Increase/(decrease) in creditors	(22,350)	(388,564)
Net cash provided by (used in) operating activities	<u><u>(8,595,105)</u></u>	<u><u>(4,431,769)</u></u>

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

1. Accounting policies

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and the preceding year.

1.1. Charity information

The HMS Victory Preservation Endowment Fund is a registered charity, number 1147573. The business address is HM Naval Base PP66, Portsmouth, Hampshire, PO1 3NH. The HMS Victory Preservation Endowment Fund meets the definition of a public benefit entity under section 34 of FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value, unless otherwise stated in the relevant accounting policy. The principal objectives of the charity are detailed in the Trustees report.

1.2. Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued in October 2019, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2019.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has been withdrawn.

The financial statements have been prepared on a going concern basis as the trustees believe that no material uncertainties exist. The trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern.

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value. The financial statements are presented in sterling which is the functional currency of the charity. 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.

Endowment funds are funds which the donor has stated are to be held as capital and expendable over the long term.

1.4. Incoming resources

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably. 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.

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

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

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

1.5. Grants receivable

Revenue grants are credited to incoming resources on the earlier date of when they are received or when they are receivable. If a grant of donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the charity's control and it is probable those conditions will be met in the accounting period.

Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable. Depreciation on the fixed assets purchased with such grants is charged against the restricted fund.

1.6. Resources expended

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

Charitable expenditure comprises those costs incurred by the charity 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 charity and include project management.

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

1.7. Investments

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

2. Investment income

	Unrestricted funds	Endowment funds	2022 Total	Unrestricted funds	Endowment funds	2021 Total
	£	£	£	£	£	£
Income from UK listed investments	179,296	37,729	217,025	161,147	29,321	190,468
Interest income	56	6,736	6,792	4,123	4,930	9,053
	<u>179,352</u>	<u>44,465</u>	<u>223,817</u>	<u>165,270</u>	<u>34,251</u>	<u>199,521</u>

3. Investment management costs

	Unrestricted funds	Endowment funds	2022 Total	Unrestricted funds	Endowment funds	2021 Total
	£	£	£	£	£	£
Investment management fees	2,466	50,788	53,254	541	110,849	111,390
	<u>2,466</u>	<u>50,788</u>	<u>53,254</u>	<u>541</u>	<u>110,849</u>	<u>111,390</u>

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

4. Costs of charitable activities - by fund type

	Unrestricted funds £	2022 Total £	Unrestricted funds £	2021 Total £
HMS Victory Preservation	1,055,754	1,055,754	862,803	862,803
	<u>1,055,754</u>	<u>1,055,754</u>	<u>862,803</u>	<u>862,803</u>

5. Costs of charitable activities - by activity

	Activities undertaken directly £	Governance and support costs £	2022 Total £	2021 Total £
HMS Victory Preservation	25,283	5,471	30,754	28,211
Grant to NMRN Operations (Charity 1169061)	750,000	-	750,000	834,592
Grant to the National Museum of the Royal Navy (Charity 1126283)	275,000	-	275,000	-
	<u>1,050,283</u>	<u>5,471</u>	<u>1,055,754</u>	<u>862,803</u>

6. Governance and support costs

	Unrestricted funds £	2022 Total £	Unrestricted funds £	2021 Total £
Accountancy fees	1,702	1,702	1,201	1,201
Auditor remuneration	2,606	2,606	2,120	2,120
Bank charges	30	30	30	30
Other governance costs	1,133	1,133	657	657
	<u>5,471</u>	<u>5,471</u>	<u>4,008</u>	<u>4,008</u>

7. Trustees' emoluments

No Trustees received remuneration during the year (2021: Nil). No expenses have been paid to the Trustees during the year (2021: Nil).

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

8. Fixed asset investments

	Listed investments £	Total £
Valuation		
At 1 April 2021	18,852,048	18,852,048
Additions	1,854,089	1,854,089
Disposals	(10,301,452)	(10,301,452)
Gains and losses before management fees	891,581	
Less management fees deducted	(50,179)	
	<u>841,402</u>	
Net increase in investment market value	841,402	841,402
At 31 March 2022	<u>11,246,087</u>	<u>11,246,087</u>
Cash held in investments		
At 1 April 2021 - restated		42,419
Net movement in the year		104,519
At 31 March 2022		<u>146,938</u>
Total investment value at 1 April 2021 - restated		<u>18,894,467</u>
Total investment value at 31 March 2022		<u>11,393,025</u>
Historical cost as at 31 March 2022	<u>16,574,306</u>	<u>16,574,306</u>
Historical cost as at 31 March 2021 - restated	<u>14,615,698</u>	<u>14,615,698</u>
The investment portfolio also includes £11,227,885 (2021: £3,712,274) of short-term low-volatility variable net asset value money-market funds.		

9. Debtors

	2022 £	2021 £
Other debtors	2,551	4,249
Prepayments	293	250
	<u>2,844</u>	<u>4,499</u>

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

	2022 £	2021 £
Other creditors	4,726	25,567
Accruals and deferred income	13,230	14,739
	<u>17,956</u>	<u>40,306</u>

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

11. Analysis of net assets between funds

	Unrestricted funds £	Endowment funds £	2022 Total funds £
Fund balances at 31 March 2022 as represented by:			
Investment assets	-	11,393,025	11,393,025
Current assets	11,349,918	-	11,349,918
Current liabilities	72,909	(90,865)	(17,956)
	<u>11,422,827</u>	<u>11,302,160</u>	<u>22,724,987</u>
	Unrestricted funds £	Endowment funds £	Restated 2021 Total funds £
Fund balances at 31 March 2021 as represented by:			
Investment assets	-	18,894,467	18,894,467
Current assets	3,837,527	26,879	3,864,406
Current liabilities	(29,388)	(10,918)	(40,306)
	<u>3,808,139</u>	<u>18,910,428</u>	<u>22,718,567</u>

12. Unrestricted funds

	At 1 April 2021 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2022 £
Unrestricted Funds	<u>3,808,139</u>	<u>179,382</u>	<u>(1,058,220)</u>	<u>-</u>	<u>8,493,526</u>	<u>11,422,827</u>
	At 1 April 2020 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2021 £
Unrestricted Funds	<u>627,393</u>	<u>165,270</u>	<u>(863,344)</u>	<u>567</u>	<u>3,878,253</u>	<u>3,808,139</u>

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

13. Endowment funds

	At 1 April 2021 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2022 £
Endowment Funds	<u>18,910,428</u>	<u>44,465</u>	<u>(50,788)</u>	<u>891,581</u>	<u>(8,493,526)</u>	<u>11,302,160</u>

	At 1 April 2020 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2021 £
Endowment Funds	<u>19,245,177</u>	<u>34,251</u>	<u>(110,849)</u>	<u>3,620,102</u>	<u>(3,878,253)</u>	<u>18,910,428</u>

14. Related party transactions

There were no related party transactions during the period.

15. Prior period adjustment

Comparative information for 2021 has been restated to reflect the movement of cash held at the investment managers from Cash at Bank and in Hand to Fixed Asset Investments, which better reflects the underlying nature and intention of the balance.

The effect of this change on the balance sheet is as follows:

	2022		2021	
	Cash at bank	Fixed asset investments	Cash at bank	Fixed asset investments
	£	£	£	£
Total funds brought forward as previously stated	190,052	18,852,048	572,995	19,216,560
Prior period adjustment	(42,419)	42,419	(28,226)	28,226
Balances brought forward as restated	<u>147,633</u>	<u>18,894,467</u>	<u>544,769</u>	<u>19,244,786</u>

HMS VICTORY PRESERVATION ENDOWMENT FUND

England & Wales - Charity number 1147573

Accounts

Charity number: 1147573

The HMS Victory Preservation Endowment Fund

Trustees' report and financial statements

for the year ended 31 March 2021

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Legal and administrative information

Charity number	1147573
Business address	HM Naval Base (PP66) Portsmouth Hampshire PO13 3NH
Trustees	Mr Keith W Morris Mr John D Dagg Mr Robert M N Norman Mr Keith Scott
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 Bank Plc 16A High Street, Cosham, Portsmouth Hampshire PO6 3DY

Trustees' annual report
For the year ended 31 March 2021

The Trustees present their report and the financial statements for the year ended 31 March 2021. The Trustees have had due regard to the guidance issued by the Charity Commission on Public Benefit. The Trustees have 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 charity.

The financial statements have been prepared in accordance with the accounting policies set out in notes to the accounts and comply with the charity's governing document, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Structure, governance and management

The charity is governed by the Declaration of Trust dated 26 March 2012.

A formal induction process for Trustees is in place which combines all the necessary background reading material including items such as the governing document, minutes of recent meetings, the Charity Commission's publication "The Essential Trustee: what you need to know", and the Museum Association's publication "Code of Ethics for Trustees". Trustees are encouraged to visit HMS *Victory* and the National Museum of the Royal Navy's Head Office in Portsmouth, to meet key members of staff and to discuss current issues.

The Trustees meet regularly, at least twice a year and more as required, to review and consider performance of invested funds with the appointed fund managers and to consider requests for grant funding from the HMS Victory Preservation Company. The Trustees regularly review any potential conflicts of interest.

Objectives and activities

On 29 March 2012, the ownership of HMS *Victory* transferred to the HMS Victory Preservation Trust, a registered charitable trust of the HMS Victory Preservation Company (company number 7935358 and registered charity number 1146376). HMS Victory Preservation Company is a wholly owned subsidiary of the National Museum of the Royal Navy (Company number 6699696 and registered charity number 1126283) ("the National Museum"). At the same time, the Ministry of Defence transferred £25 million into a completely independent charitable trust, the Endowment Fund, for the purposes of supporting the HMS Victory Preservation Company in pursuance of their charitable objects, which are:

- a) To preserve, restore and maintain HMS *Victory*, the flagship of Lord Nelson at the Battle of Trafalgar;
- b) To educate 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 preservation of HMS *Victory* remains the responsibility of the HMS Victory Preservation Company with the role of the charity limited to managing the assets it holds and considering and making requests for grants to support the restoration work, or other objects of the Endowment Fund.

The restoration, maintenance and presentation of HMS *Victory* as a heritage visitor attraction is undertaken on behalf of the HMS Victory Preservation Company by NMRN Operations (company number 9988314 and registered charity number 1169061), the operating arm and subsidiary of the National Museum.

Achievements and Performance

In the year ended 31 March 2021, the Endowment Fund made grants of £862,803 (2020: £2,308,966) to HMS Victory Preservation Company to support its work. 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. Maintenance and conservation of the ship was, however, able to continue during the closedown period, albeit with some delays, and grant funding was utilised to support the following:

- ***Delivery of the Conservation Project Plan***

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. The project was formally handed over on 18 December 2020, marking 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.

Survey work to the lower masts and rigging has progressed and essential maintenance undertaken to ensure the continued safety of the remaining rig. In order to install weather protection and scaffolding necessary to deliver the conservation programme plan, plans were made to remove the main lower mast for the first time since its installation in 1894, with a preparatory to a lift completed in May 2021.

- ***Developing the Conservation Approach:***

The Conservation Programme Plan (CPP) for the Ship 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.

Work to further refine the CPP has been progressed, and a programme of further tests and experimentation relating to the materials to be used for conservation works has been developed and will contribute to a revised iteration of the CPP and associated reduced project budget in 2021.

- ***Public Engagement:***

Despite COVID-19 closing the ship to visitors for much of the reporting period, work has progressed on two projects to improve public engagement with, and understanding of, HMS *Victory*'s 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.

- **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.

Subsequent Events

As previously mentioned HMS Victory for much of the reporting period, reopening under Government's measures to control the spread of the pandemic in May 2021. Despite the closure to visitors, work on the preservation and conservation of the ship has continued within appropriate health and safety guidelines. While some projects have taken much longer to complete or have been delayed, others have managed to be completed more quickly or started earlier than planned. The net effect of this is that expenditure remains roughly the same as previously planned, but the mix of work is different. The Endowment Fund still expects to consider further Grant requests in the 2021-22 financial year for funding this continuing work.

The review of the Conservation Project Plan (CPP) developed in 2015 is suggesting that significant changes can be made to the delivery model which, whilst still achieving the same amount and quality of work on the ship, will result in significant cost savings. The Endowment Fund trustees look forward to receiving the final results of the revised CPP in 2021. This anticipated reduction in expenditure can be expected to have major implications for the run rate of grant requests being made to the Endowment Fund, and thus the Trustees view of the anticipated life of the Fund.

Investment Policy

The Trustees completed their annual review of the Investment Policy and Investment Manager performance at their meeting of 21 and 22 April 2020.

The Trustees resolved that they would terminate their investment management arrangement with Ruffer and ask Hambro to construct a new portfolio that would complement the Cazenove portfolio, taking into account the impact of the COVID-19 pandemic on the revised cash flow projections for spend on HMS *Victory*.

The current investment objective is to maintain the cash and liquidity available to meet near-term project funding needs, and to invest medium and longer-term assets in order to generate a return on these of CPI plus 4%. As the investment time horizon for the fund becomes shorter, the investment strategy will naturally lean more towards shorter-term liquidity and so it is expected that the CPI +4% target will be lowered at the appropriate time.

The forecast of expenditure of the HMS Victory Preservation Company at the date of approving this investment policy showed that the capital resources of the Endowment Fund will have been fully expended by the 2027-28 financial year. Any forecast should be treated with some caution, given the complexities of the Conservation Programme Plan and the impact of Covid-19 on both the work programme and investment performance. For investment planning purposes, the Trustees consider it more likely that not all capital in the fund will have been spent by the 2031-32 financial year (assuming that the Endowment Fund will neither generate net capital gains nor suffer net capital losses over this period).

The Endowment Fund seeks to produce the best possible financial return within an acceptable level of risk. Return can be achieved by either income or capital gain, but given the duration of the fund, significant volatility in the investment portfolio is undesirable. The Endowment Fund will seek to strike a balance between equity investments, which provide the best opportunity for capital retention and growth in excess

The HMS Victory Preservation Endowment Fund
Charity number: 1147573

of inflation, and fixed investments such as cash and bonds, which provide lower volatility and more certain returns. The trustees have determined they have a conservative approach to risk.

Subject to the above, the Endowment Fund 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 assets, private equity, commodities and any other asset class that is deemed suitable. The Trustees do not wish to invest directly in property. In making investments, the Trustees may take into consideration the fact that the Preservation Company fund, which shares the identical objectives, will not be using its capital and will be available to take up the funding needs of HMS *Victory* after the Endowment Fund is expended. The Trustees will agree a suitable asset allocation framework with the chosen Investment Managers

The base currency of the investment portfolio is Sterling. Investments may be made in non-sterling assets. Hedging is permitted.

The Endowment Fund shall, through the chosen Investment Managers, maintain a cash reserve to fund near-term requirements for funding the programme of work on HMS *Victory*.

The Trustees have appointed two professional Investment Managers to manage the Endowment Fund's assets on a discretionary basis in line with this policy. The Investment Managers provide custody of assets and each is required to produce a quarterly valuation and performance report.

The Trustees are responsible for agreeing strategy and monitoring the investment assets, and the performance of the Investment Managers and will meet at least annually to review the portfolios, including an analysis of return, asset allocation and risk. This will include monitoring and reviewing the fees charged. No specific ethical investment restriction is placed in the Investment Managers' remit. The trustees are content that the corporate socially responsible investment policies of the Investment Managers meets their needs.

Reserves Policy

The Trustees regularly monitor the levels of the Endowment Fund's liquid reserves (defined for the purposes of this policy as the amounts shown as "Cash at Bank and in Hand" in the accounts). As at 31 March 2021, the total reserves of the Endowment Fund stood at £18,910,428 and the liquid reserves at £190,052. The Endowment Fund retains a free reserve (defined as net current assets in unrestricted funds) of £3,808,139 in order to cover liabilities and future grant funding. The Trustees monitor the amount of liquidity held by the fund in light of the possible future grant requests they might consider, and the market conditions affecting the liquidity and market value of the fund's investment portfolio.

Grant Making Policies

The Endowment Fund exists to support the work of the HMS Victory Preservation Company. The charity expects to make a grant based on the budget proposed for maintenance and preservation work on the Ship. In addition, occasional grants may be made to fund specific projects and one-off expenditure related to its objectives. The Endowment Fund received and made grant funding requests totalling £862,803 to HMS Victory Preservation Company in the year to 31 March 2021.

Related Parties

The related parties of the HMS Victory Preservation Endowment Fund are disclosed in note 15 to the accounts.

Financial Review

Results for the Year Ended 31 March 2021

Total income from investments for the HMS Victory Preservation Endowment Fund in 2020-21 amounted to £199,521 (2019-20: £422,236).

Total expenditure for 2020-21 amounted to £974,193 (2019-20: £2,454,232). After net gains on mid-market valuation of investments of £3,620,669 arising from market volatility, the net movement in funds for the year was an increase of £2,845,997.

The net assets as at 31 March 2021 amounted to £22,718,567 (31 March 2020: £19,872,570).

Changes in Fixed Assets

Movements in fixed asset investments are shown in note 9 to the accounts.

Principal Risks and Uncertainties

The principal risks to the trust lie in the performance of investments being sufficient to provide the funding to enable the Endowment Fund to achieve its objectives. This is managed through a clearly defined investment policy, selection of investment managers appropriate to that policy and regular review of investment manager performance.

Auditors

The accounts have been audited by PKF Littlejohn LLP. So far as the Trustees are aware, there is no relevant audit information of which the charity'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 charity's auditors are aware of that information.

A handwritten signature in black ink, appearing to read 'Keith Morris', is written over a dotted line.

Mr Keith Morris

Date: 10th December 2021

Statement of Trustees' responsibilities
for the year ended 31 March 2021

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales 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 charity and of the incoming resources and application of resources of the charity 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Mr Keith Morris

Date: 10th December 2021

Independent auditors' report to the Trustees of HMS Victory Preservation Endowment Fund

Opinion

We have audited the financial statements of the HMS Victory Preservation Endowment Fund (the 'charity') 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 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 charity'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 Charities Act 2011.

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 charity 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 charity'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 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees Responsibilities, the trustees are responsible for the preparation of financial statements which 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 charity'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 charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 charity 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 charity in this regard to be those arising from the 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 timing of recognition of grant expenditure. We addressed this through review of all material grant agreements and correspondence to ensure correct treatment under the Charities SORP, including consideration of the accounting period in which expenditure should be recognised.

- 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 charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

PKF Littlejohn LLP

PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

Date: 13th December 2021

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
For the year ended 31 March 2021

	Notes	Unrestricted funds £	Endowment funds £	2021 Total £	Unrestricted funds £	Endowment funds £	2020 Total £
Income from:							
Investments	2	165,270	34,251	199,521	339,467	82,769	422,236
Total income		<u>165,270</u>	<u>34,251</u>	<u>199,521</u>	<u>339,467</u>	<u>82,769</u>	<u>422,236</u>
Expenditure on:							
Investment management costs	3	541	110,849	111,390	-	145,266	145,266
Charitable activities	4	862,803	-	862,803	2,308,966	-	2,308,966
Total expenditure		<u>863,344</u>	<u>110,849</u>	<u>974,193</u>	<u>2,308,966</u>	<u>145,266</u>	<u>2,454,232</u>
Net gains/(losses) on investments	8	567	3,620,102	3,620,669	-	(649,004)	(649,004)
Transfers between funds		<u>3,878,253</u>	<u>(3,878,253)</u>	<u>-</u>	<u>1,315,572</u>	<u>(1,315,572)</u>	<u>-</u>
Net movement in funds		<u>3,180,746</u>	<u>(334,749)</u>	<u>2,845,997</u>	<u>(653,927)</u>	<u>(2,027,073)</u>	<u>(2,681,000)</u>
Reconciliation of funds							
Total funds brought forward		<u>627,393</u>	<u>19,245,177</u>	<u>19,872,570</u>	<u>1,281,320</u>	<u>21,272,250</u>	<u>22,553,570</u>
Total funds carried forward		<u><u>3,808,139</u></u>	<u><u>18,910,428</u></u>	<u><u>22,718,567</u></u>	<u><u>627,393</u></u>	<u><u>19,245,177</u></u>	<u><u>19,872,570</u></u>

The statement of financial activities includes all gains and losses in the year.

All of the above amounts relate to continuing activities.

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

Balance sheet
as at 31 March 2021

		2021		2020	
	Notes	£	£	£	£
Fixed assets					
Investments	8	18,852,048		19,216,560	
Current assets					
Investments	8	3,712,274		376,340	
Debtors	9	4,499		135,545	
Cash at bank and in hand		190,052		572,995	
Total current assets		3,906,825		1,084,880	
Creditors: amounts falling due within one year	10	(40,306)		(428,870)	
Net current assets			3,866,519		656,010
Net assets			22,718,567		19,872,570
Funds	11				
Endowment funds		18,910,428		19,245,177	
Unrestricted income funds		3,808,139		627,393	
Total funds		22,718,567		19,872,570	

The financial statements were approved by the Trustees and signed on their behalf by



Mr K Morris
Trustee

Date: 10th December 2021

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

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

	2021	2020
	£	£
Cashflows from operating activities:		
Net cash inflow/(outflow) from operating activities	(4,431,769)	(1,936,919)
Cash flows from investing activities:		
Dividends and interest from investments	199,521	422,236
Purchase of investments	(863,540)	(960,139)
Disposal of investments	4,712,845	2,191,912
Net cash provided by (used in) investing activities	4,048,824	1,654,009
Change in cash and cash equivalents in the reporting period	(382,943)	(282,910)
Cash and cash equivalents at 1 April 2020	572,995	855,905
Total cash and cash equivalents at 31 March 2021	190,052	572,995
Net income/(expenditure) for the year	2,845,997	(2,681,000)
Income from investments	(199,521)	(422,236)
(Gains)/losses on investments	(3,620,669)	649,004
Adjustment for non-cash fees from gains/losses	135,876	145,694
(Increase)/decrease in short term investments	(3,335,934)	(376,340)
Decrease/(increase) in debtors	131,046	367,033
(Decrease)/increase in creditors	(388,564)	380,926
Net cash provided by (used in) operating activities	(4,431,769)	(1,936,919)

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

1. Accounting policies

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and the preceding year.

1.1. Charity information

The HMS Victory Preservation Endowment Fund is a registered charity, number 1147573. The business address is HM Naval Base PP66, Portsmouth, Hampshire, PO1 3NH.

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

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

1.2. Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued in October 2019, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2019.

The financial statements have been prepared on a going concern basis as the trustees believe that no material uncertainties exist. The trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern.

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value. The financial statements are presented in sterling which is the functional currency of the charity. 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.

1.4. Endowment funds

Endowment funds are funds which the donor has stated are to be held as capital and expendable over the long term.

1.5. Incoming resources

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably. 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.

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

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

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

1.6. Grants receivable

Revenue grants are credited to incoming resources on the earlier date of when they are received or when they are receivable. If a grant of donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the charity's control and it is probable those conditions will be met in the accounting period.

Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable. Depreciation on the fixed assets purchased with such grants is charged against the restricted fund.

1.7. Resources expended

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

Charitable expenditure comprises those costs incurred by the charity 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 charity and include project management.

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

1.8. Investments

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

2. Investment income

	Unrestricted funds	Endowment funds	2021 Total	Unrestricted funds	Endowment funds	2020 Total
	£	£	£	£	£	£
Income from UK listed investments	161,147	29,321	190,468	327,659	82,769	410,428
Interest income	4,123	4,930	9,053	11,808	-	11,808
	<u>165,270</u>	<u>34,251</u>	<u>199,521</u>	<u>339,467</u>	<u>82,769</u>	<u>422,236</u>

3. Investment management costs

	Unrestricted funds	Endowment funds	2021 Total	Unrestricted funds	Endowment funds	2020 Total
	£	£	£	£	£	£
Investment management fees	541	110,849	111,390	-	145,266	145,266
	<u>541</u>	<u>110,849</u>	<u>111,390</u>	<u>-</u>	<u>145,266</u>	<u>145,266</u>

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

4. Costs of charitable activities - by fund type

	Unrestricted funds £	2021 Total £	Unrestricted funds £	2020 Total £
HMS Victory Preservation	862,803	862,803	2,308,966	2,308,966
	<u>862,803</u>	<u>862,803</u>	<u>2,308,966</u>	<u>2,308,966</u>

5. Costs of charitable activities - by activity

	Activities undertaken directly £	Governance and support costs £	2021 Total £	2020 Total £
HMS Victory Preservation	24,203	4,008	28,211	33,145
Grant to NMRN Operations (Charity 1169061)	834,592	-	834,592	2,275,821
	<u>858,795</u>	<u>4,008</u>	<u>862,803</u>	<u>2,308,966</u>

6. Governance and support costs

	Unrestricted funds £	2021 Total £	Unrestricted funds £	2020 Total £
Accountancy fees	1,201	1,201	1,890	1,890
Auditor remuneration	2,120	2,120	2,232	2,232
Legal & professional fees	-	-	3,330	3,330
Bank charges	30	30	30	30
Other governance costs	657	657	1,461	1,461
	<u>4,008</u>	<u>4,008</u>	<u>8,943</u>	<u>8,943</u>

7. Trustees' emoluments

No Trustees received remuneration during the year (2020: Nil). No expenses have been paid to the Trustees during the year (2020: Nil).

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

8. Fixed asset investments

	Listed investments £	Total £
Valuation		
At 1 April 2020	19,216,560	19,216,560
Additions	863,540	863,540
Disposals	(4,712,845)	(4,712,845)
Gains and losses before management fees	3,620,669	
Less management fees deducted	<u>(135,876)</u>	
Net increase in investment market value	3,484,793	3,484,793
At 31 March 2021	<u>18,852,048</u>	<u>18,852,048</u>
Historical cost as at 31 March 2021	<u>14,573,279</u>	<u>14,573,279</u>
Historical cost as at 31 March 2020	<u>18,422,584</u>	<u>18,422,584</u>

The investment portfolio also includes £3,712,274 of short-term low-volatility variable net asset value money-market funds.

9. Debtors

	2021 £	2020 £
Other debtors	4,249	135,545
Prepayments	250	-
	<u>4,499</u>	<u>135,545</u>

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

	2021 £	2020 £
Other creditors	25,567	388,623
Accruals and deferred income	14,739	40,247
	<u>40,306</u>	<u>428,870</u>

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

11. Analysis of net assets between funds

	Unrestricted funds £	Endowment funds £	2021 Total funds £
Fund balances at 31 March 2021 as represented by:			
Investment assets	-	18,852,048	18,852,048
Current assets	3,837,527	69,298	3,906,825
Current liabilities	(29,388)	(10,918)	(40,306)
	<u>3,808,139</u>	<u>18,910,428</u>	<u>22,718,567</u>

	Unrestricted funds £	Endowment funds £	2020 Total funds £
Fund balances at 31 March 2020 as represented by:			
Investment assets	8,308	19,208,252	19,216,560
Current assets	1,012,550	72,330	1,084,880
Current liabilities	(393,465)	(35,405)	(428,870)
	<u>627,393</u>	<u>19,245,177</u>	<u>19,872,570</u>

12. Unrestricted funds

	At 1 April 2020 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2021 £
Unrestricted Funds	<u>627,393</u>	<u>165,270</u>	<u>(863,344)</u>	<u>567</u>	<u>3,878,253</u>	<u>3,808,139</u>

	At 1 April 2019 £	Incoming resources £	Outgoing resources £	Transfer between funds £	At 31 March 2020 £
Unrestricted Funds	<u>1,281,320</u>	<u>339,467</u>	<u>(2,308,966)</u>	<u>1,315,572</u>	<u>627,393</u>

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

13. Endowment funds

	At 1 April 2020 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2021 £
Endowment Funds	<u>19,245,177</u>	<u>34,251</u>	<u>(110,849)</u>	<u>3,620,102</u>	<u>(3,878,253)</u>	<u>18,910,428</u>

	At 1 April 2019 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfer between Funds £	At 31 March 2020 £
Endowment Funds	<u>21,272,250</u>	<u>82,769</u>	<u>(145,266)</u>	<u>(649,004)</u>	<u>(1,315,572)</u>	<u>19,245,177</u>

14. Related party transactions

There were no related party transactions during the period.