

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 horizontal 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	(135,876)	
	<u>3,484,793</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.