

**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

<b>Charity number</b>	1147573
<b>Business address</b>	HM Naval Base (PP66) Portsmouth Hampshire PO13 3NH
<b>Trustees</b>	Mr Keith W Morris Mr John D Dagg Mr Robert M N Norman Mr Keith Scott
<b>Accountants</b>	Compass Accountants Venture House, The Tanneries, East Street, Titchfield Hampshire PO14 4AR
<b>Auditors</b>	PKF Littlejohn LLP 15 Westferry Circus, Canary Wharf, London, E14 4HD
<b>Bankers</b>	Lloyds 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 nc<sup>2</sup> consultancy, is enabling the project to better understand the likely degradation of materials over time, and make informed decisions as to the best choices of fixings, glues, paints and timber to be used on the project, and the levels of maintenance likely to be required going forward.

**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: 24<sup>th</sup> 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: 24<sup>th</sup> 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the 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 £
<b>Income from:</b>							
Donations		30	-	30	-	-	-
Investments	2	179,352	44,465	223,817	165,270	34,251	199,521
<b>Total income</b>		<u>179,382</u>	<u>44,465</u>	<u>223,847</u>	<u>165,270</u>	<u>34,251</u>	<u>199,521</u>
<b>Expenditure on:</b>							
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
<b>Total expenditure</b>		<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
<b>Transfers between funds</b>		<u>8,493,526</u>	<u>(8,493,526)</u>	<u>-</u>	<u>3,878,253</u>	<u>(3,878,253)</u>	<u>-</u>
<b>Net movement in funds</b>		<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>
<b>Reconciliation of funds</b>							
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>
<b>Total funds carried forward</b>		<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**

		<b>2022</b>		<b>Restated 2021</b>	
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Investments	8		11,393,025		18,894,467
<b>Current assets</b>					
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	
<b>Creditors: amounts falling due within one year</b>	10	(17,956)		(40,306)	
<b>Net current assets</b>			11,331,962		3,824,100
<b>Net assets</b>			22,724,987		22,718,567
<b>Funds</b>	11				
Endowment funds	13		11,302,160		18,910,428
Unrestricted income funds	12		11,422,827		3,808,139
<b>Total funds</b>			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: 24<sup>th</sup> 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**

	<b>2022</b>	<b>Restated</b>
	<b>£</b>	<b>2021</b>
		<b>£</b>
<b>Cashflows from operating activities:</b>		
<b>Net cash inflow/(outflow) from operating activities</b>	(8,595,105)	(4,431,769)
<b>Cash flows from investing activities:</b>		
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)
<b>Net cash provided by (used in) investing activities</b>	<u>8,566,661</u>	<u>4,034,633</u>
Change in cash and cash equivalents in the reporting period	(28,444)	(397,136)
<b>Cash and cash equivalents at 1 April 2021</b>	<u>147,633</u>	<u>544,769</u>
<b>Total cash and cash equivalents at 31 March 2022</b>	<u><b>119,189</b></u>	<u><b>147,633</b></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)
<b>Net cash provided by (used in) operating activities</b>	<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**

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

	<b>2022 £</b>	<b>2021 £</b>
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**

	<b>2022 £</b>	<b>2021 £</b>
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:

	<b>2022</b>		<b>2021</b>	
	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>