

THE ROYAL NAVAL BENEVOLENT TRUST

Patron: His Royal Highness The Prince of Wales KG KT GCB OM



Registered Charity Number in England & Wales 206243

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

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TRUST INFORMATION

For the Year Ended 31 March 2018

Patron

His Royal Highness The Prince of Wales KG KT GCB OM

Vice Patrons

Mr J W S Thompson MBE BEM
Mr K Lambert BEM (from 1 April 2018)

President

Vice Admiral Sir Charles Montgomery KBE

Trustees

Vice President & Honorary Treasurer

Mr J Moulson MBE

Chairman

Captain N Fletcher Royal Navy

Trustees

Corporal P Barnes (until 1 April 2018)
Mrs J Behan (until 1 April 2018)
Chief Petty Officer K Bell (from 1 April 2018)
Lieutenant S Clewes Royal Navy
Mr B Daubeney (from 1 April 2018)
Brigadier M Ellis OBE Royal Marines
Lieutenant Commander T Forer Royal Navy
Mr N Gartside CFA
Mr D Hedges
Mr A Horsburgh (from 1 April 2018)
Captain A Jordan ADC Royal Navy
Colour Sergeant P Lane
Mr K Lambert BEM (until 1 April 2018)
Mrs T Mawer (from 1 April 2018 until 5 August 2018)
Colour Sergeant I Michelsen (until 1 April 2018)
Mr I Ranscombe
Mrs P Shaw OBE
Mr O W Shread (until 1 April 2018)
Warrant Officer (Class 1) S Tripp

Executive Staff

Chief Executive

Commander S P Farrington QGM Royal Navy (until 27 April 2017)
Commander R G Bosshardt Royal Navy (from 27 April 2017)

Financial Controller

Mr R Jesson BA FCCA

Home Manager, Pembroke House

Mrs T Harrison RGN

Registered Office

Castaway House, 311 Twyford Avenue, PORTSMOUTH
PO2 8RN

Auditors

Sayer Vincent LLP
Invicta House, 108-114 Golden Lane, LONDON EC1Y 0TL

Investment Managers

CCLA Investment Management Limited
Senator House, 85 Queen Victoria Street, LONDON EC4V 4ET

Newton Investment Management Limited
BNY Mellon Centre, 160 Queen Victoria Street, LONDON EC4V 4LA

Bankers

Barclays Bank PLC
PO Box 6, PORTSMOUTH PO6 3DH

Solicitors

Blake Morgan
Harbour Court, Compass Road, North Harbour, PORTSMOUTH
PO6 4ST

TRUSTEES' REPORT

For the Year Ended 31 March 2018

1. STRATEGY, MISSION, VISION, OPERATING PRINCIPLES AND OBJECTIVES

The full title is 'Royal Naval Benevolent Trust (Grand Fleet and Kindred Funds)', which recognises the origins from Admiral Jellicoe's Grand Fleet Fund, established in 1915. Soon after the First World War the Trust was established by Royal Charter on 2 May 1922. It is a registered charity (No. 206243). The Trust's Primary Beneficial Object is to give help, in cases of need, to those who are serving or have served as ratings in the Royal Navy or as other ranks in the Royal Marines and their dependants. The Trust is known as the RNBT and its beneficiaries as 'The RNBT Family'. The Trust's beneficiaries are helped in the following ways:

- Grants to assist with a very wide range of individual needs.
- Regular Charitable Payments to provide a financial supplement to people on very low incomes.
- Care of older people at Pembroke House, the Trust's care and nursing home at Gillingham, Kent.
- Subsidised housing at the Trust's almshouse, the John Cornwell VC National Memorial (JCVCNM) at Hornchurch.
- Advice on welfare and allied matters.

The trustees conducted a thorough review of strategy in February 2018.

The review confirmed RNBT's Mission:

'to help those who are serving or have served as Warrant Officers and below in the Royal Navy or Royal Marines, and their dependants, in times of need and distress.'

The review also confirmed RNBT's Vision:

'for the RNBT Family to receive the support necessary to alleviate hardship and to live with dignity.'

The review outlined the Trust's Operating Principles. RNBT will be:

- **'For the Navy, by the Navy'**. This guiding principle, which originates from the genesis of the Grand Fleet Fund, defines both the spirit and the governance of our Trust.
- **Quiet and efficient in delivering benevolence.** The beneficiary will remain at the centre of all that we do; swift, quiet and efficient delivery of effective benevolence will be the hallmark of success. Wherever possible RNBT will also seek to assist beneficiaries to recover their self-esteem and improve their resilience.
- **A connected organisation.** Through effective communication working with other service charities, RNBT will connect with both the serving and retired naval communities. It will promote inclusiveness and a better understanding of issues affecting The RNBT Family, using its knowledge, expertise and connections to act.
- **Collaborative and cooperative.** The Trust will work very closely with partner organisations, critically those which provide caseworking support to RNBT, to provide the most efficient, effective and timely delivery of benevolence. We will seek opportunities to collaborate with other charitable organisations and associations to provide best value for money and optimum use of resources for the good of our beneficiaries, almonising and sharing whenever possible and practical.
- **Balanced and sustainable.** RNBT will manage its business affairs in order to fulfil the Trustees' strategic intent over the long term. It will also adjust to

meet a changing environment, reacting positively to new societal challenges as they emerge.

- **Compliant.** RNBT will comply with all statutory and regulatory legislation and rules, seeking and adopting best practice whenever possible. RNBT will aim to set and achieve the highest standards of performance and professionalism.

The Trust's specific objectives for 2017/18 were:

- To continue to meet and where possible exceed The Care Quality Commission's standards at Pembroke House through monthly internal and quarterly external audits by Subject Matter experts. **ACHIEVED** – see narrative.
- To achieve 94% occupancy at Pembroke House. **NOT ACHIEVED** – actual occupancy 88.2% (92.7% in 2016/17) – see narrative.
- To maintain and improve where necessary the material condition of the properties that comprise Pembroke House and the John Cornwell VC National Memorial and maintain full occupancy. **ACHIEVED**
- To continue to work closely with kindred organisations in pursuit of expanding the capacity for the care of older people in the veteran community generally and for The RNBT Family in particular. **ONGOING** – see narrative.
- To raise the Trust's PR profile within the serving community with the specific aim of increasing the number of uniformed RNBT volunteers through presentations to key career courses, via Social Media (*Facebook & Twitter*) and by working collaboratively with the other Naval charities. **ONGOING** – see narrative.
- To meet income generation targets while maintaining the Trust's capital worth. **ACHIEVED**
- To promote the rationalisation of naval charities where change would be in the best interests of all Naval Service beneficiaries. **ONGOING** – see narrative.

2. GOVERNANCE

The Trust's governing document is our Royal Charter, granted in 1922 but regularly updated. Royal consent was graciously granted on 13th December 2017 to an amendment to the Royal Charter which increased the period of office for the Vice President and Honorary Treasurer to three years, in line with other officers and officials. The Trust's governance is delivered through the Central Committee (CC) that comprises the Chairman, the Vice President (also the Honorary Treasurer) and the Trustees. The CC is supported by the Finance and General Purposes (F&GP) and Care of Older People (COP) Committees. The CC meets three times per annum with these meetings preceded by the F&GP; the COP meets half-yearly. The trustee competence based selection and election process ensures probity combined with staggered periods of tenure that provides continuity of governance while introducing fresh thinking and different perspectives. It is planned to review governance during 2018/19 to ensure that the Trust's governance remains relevant and appropriate to the Trust's mission and objectives, informed by the Charity Governance Code 2017 and guidance and advice from the Charity Commission and the Confederation of Service Charities (Cobseo). In 2017 a Declarations of Interest Policy and a Code of Conduct for trustees were produced.

Four Ordinary Member trustees (Cpl P Barnes, Mrs J Behan, Mr K Lambert and Mr O Shread) were due to resign on 1st April 2018 in accordance with the Trust's Bye-Laws which allow trustees to serve a maximum two terms of three years. One other Ordinary Member Trustee (C/Sgt I Michelsen) decided not to apply for re-election for a second three-year term. Elections were therefore held for five Ordinary Member trustees in March 2018. There was an unprecedented level of interest shown, with over 50 expressions of interest and 32 applicants. The Central Committee therefore decided that these applications should be shortlisted; a selection committee from the Central Committee selected 12 candidates, and from these the following were elected by secret ballot: Mr Kevin Bell; Mr Brian Daubeney; Mr Alan Horsburgh; Mr Pete Lane; and Mrs Tracy Mawer. The Trust thanks outgoing trustees for their valuable contributions and wishes them every success in the future while welcoming the newcomers. The Trust is grateful to all those who have given of their time, energy and commitment along with those who continue to give of their best to ensure the RNBT remains an efficient and effective charity. The contribution of Mr Lambert has been particularly noteworthy, and as a mark of

appreciation for his invaluable services, in particular as a member of Grant Committees since 1974, Chairman of the Grant Committee from 2010 to 2017 and Trustee since 2010, trustees appointed Mr Lambert as a Vice Patron of the Trust from 1st April 2018.

Following recent advice, the Central Committee has conducted a comprehensive review of the governance of safeguarding. Amongst a number of decisions it was decided that in order for trustees to enjoy unsupervised access to the Trust's Care Home and Almshouse to fulfil their governance role, all trustees should be subject to an enhanced disclosure check from the Disclosure and Barring Service (DBS). It was also decided that there would be a lead trustee for safeguarding; Mrs Pauline Shaw OBE, specialist trustee for care, has assumed this additional role.

Preparations for compliance with the General Data Protection Regulations (GDPR) have been actively managed by an Action Plan, and are well underway. A Privacy Policy has been published (<http://www.rnbt.org.uk/privacy-policy/>) as well as appropriate Privacy Notices on RNBT forms to achieve informed consent from applicants.

The Chairman attended a meeting of naval charity Chairmen called by the Royal Navy and Royal Marines Charity (RNRMC) in December 2017 to investigate options for convergence. RNBT will continue to work with other naval charities to create further convergence and improvements in efficiency to the benefit of beneficiaries.

In 2017 the Trust registered with The Fundraising Regulator and became a member of the National Council for Voluntary Organisations (NCVO). The Trust is also a member of the Confederation of Service Charities (Cobseo), the National Care Forum (NCF) and the Almshouse Association.

All trustees receive induction training and induction packs on taking up the role that includes Charity Commission guidance ('The Essential Trustee'); periodic trustee training is also available. Recruitment procedures for trustees and senior officers have been amended to take account of the Charity Commission's automatic disqualification rules.

The day-to-day management of the Trust's affairs is delegated to the Portsmouth-based Chief Executive who leads a staff of 8 Full Time Equivalents (FTE) who between them manage over 2,000 applications relating to individual grants and regular charitable payments each year as well as the finance, policy and human resources of the Trust and 'landlord' duties within Castaway House. Over 70 FTEs are employed at Pembroke House (the Trust's care and nursing home in Gillingham, Kent) under a dedicated Home Manager who reports to the Chief Executive.

3. REVIEW OF ACTIVITIES

3.1 Grants and Regular Charitable Payments (RCPs)

3.1.1 The grant process: quiet and efficient delivery of benevolence

The Trust's charitable objectives may be summed up as helping members of The RNBT Family in need or distress. All grants and RCPs are administered at the Trust's Head Office. Applications for assistance are submitted via the caseworking organisations i.e. SSAFA, The Royal British Legion, the Royal Commonwealth Ex-Services League and RN & RM Welfare. The grant administrators vet the applications, liaising with other charities (if appropriate), and are empowered to decide on grant applications up to £700. Above this level, decisions are referred to the Grant Committee, an all-volunteer group who are themselves members of The RNBT Family, for a decision. Each case is scrutinised by three Grant Committee members, who agree the assistance to be provided. The Grant Committee meets weekly to consider applications. The grants team and the Grant Committee pride themselves on their flexibility and speed of response. The Trust spent over £2.5 million on grants and RCPs in 2017/18 assisting 2,991 applicants, an increase of 83 from the previous financial year.

3.1.2 Grants to Individuals

The Trust makes grants to assist members of The RNBT Family across a spectrum of fundamental needs that include food, clothing, accommodation, fuel and utility bills, disability aids, training for second careers, house repairs and household goods, childcare, respite holidays and help with all manner of financial difficulties. The categories of need for frequently met circumstances are listed for statistical purposes but the Trust will meet needs outside this list when required. In short, the Trust retains the discretion to help in new situations provided there is a sufficient degree of need and the financial resources are available.

The number of applications for grants saw an increase of 25 over the previous financial year to 2,312. The average grant increased to £743 from £716 in the previous financial year, an increase of 4%; grants ranged from an average of £217 (clothing) to £2,574 (House Adaptations-Medical). The needs of the Trust's beneficiaries have continued to be met through the almonising process and the hard work of the grant administrators and caseworking professionals seeking out other sources of funding coupled with the rigorous pursuit of state benefits where applicable. Medical equipment costs were the largest in terms of total expenditure.

3.1.3 Regular Charitable Payments (RCPs)

As well as grants to individuals, the Trust administered 642 (934 in 2016/17) RCPs at £21 per week (as at 31 March) for beneficiaries on low incomes, the definition of which is a calculation and judgement based on the excess of income over expenditure, levels of savings and an applicant's personal circumstances. In addition to this the Trust administered a further 195 (57 in 2016/17) RCPs to those beneficiaries on exceptionally low incomes at £30 per week (as at 31 March). Over the year, a total of 837 RCPs (991 in 2016/17) were administered. The bulk of the RCPs were generously funded by Greenwich Hospital, five came from a Trust Fund in memory of the late Mrs Ina Briggs and the balance from the Trust's resources. The number of beneficiaries judged eligible for RCPs is in gradual decline while the needs of those who are eligible are increasing; achieving a balance of resources to match the need requires careful judgement. Each RCP awarded at the rate of £21 per week is revisited every 2 years and each RCP paid at the rate of £30 per week is checked every year to confirm continued eligibility, and the waiting list for those waiting to receive RCPs is governed by the need to exercise due diligence in making such awards. The Trust gratefully acknowledges Greenwich Hospital's generous support of the Trust's RCPs that amounted to £939,684 (£958,860 in 2016/17), and it is hoped that Greenwich Hospital is able to maintain this support for many years to come.

3.1.4 Beneficiary Support: a holistic approach to the long-term needs of beneficiaries towards successful outcomes

The post of Beneficiary Support Co-ordinator (BSC) has been filled since October 2016. The BSC offers advice and encouragement to beneficiaries, usually following the award of a grant. This can take many forms including ascertaining the needs of the beneficiary and formulating a bespoke plan and signposting other forms of assistance, and offers a holistic approach to supporting the Trust's beneficiaries. For veterans this may include engagement with the Royal Naval Association (RNA) or the Royal Marines Association (RMA) – the 'shipmates and oppos' programme. The BSC managed 346 cases (2016/17: 93 cases), which resulted in 238 (2016/17: 77) 'life enriching' social inclusion outcomes; 10 (2016/17: 39) 'life improving' outcomes, mainly through enhanced employment status or education; 144 (2016/17: 61) 'life defining' outcomes via SAIL (Seafarers' Advice and Information Line), to help with finance and debt issues; 76 (2016/17: 15) 'life changing' medical support outcomes, often involving Combat Stress as well as NHS services. The post continues to be part-funded by Greenwich Hospital, and the Trust gratefully acknowledges this invaluable support. The nature of the BSC's position continues to evolve, and now can include a form of mentoring and ongoing support. Many beneficiaries find great value in having someone who can help them navigate as well as offering encouragement to assist them in seeking a better life for the future. These engagements range from highly complex situations to a simple update on progress along their recovery pathway. Timing is the key to most engagements, as if they are going through a crisis or difficult time then certain aspects of the BSC's initiative will have to be postponed or put on hold, until the veteran is in a better place/position to move forward, and the bring up files (BU) system is activated. Those predominantly suffering from mental health issues tend to need ongoing reassuring support, in order for them to build some resilience, get some self-worth and esteem back into their lives; this is an increasing involvement for the BSC. The BSC continues to support the Grants

Administrators with ongoing cover/support of the positions during periods of annual leave, sickness and absence, to enable the RNBT to continue to deliver benevolence in a timely fashion.

3.2 Care of Older People

The RNBT's Care of Older People sub-committee under the chairmanship of the Vice President continues to oversee the Trust's responsibilities in this area particularly as they apply to the management oversight for Pembroke House and The John Cornwell VC National Memorial (JCVCNM) almshouse.

3.2.1 Pembroke House: excellent facilities and an ambitious quality improvement programme

Pembroke House (the Home) provides nursing and personal care for up to 55 residents for older members of the Royal Naval family. Each resident has a good sized, well-furnished room with en-suite facilities in addition to an extensive range of day and dining rooms and other communal areas spread over three floors. There is a large day room complex on the ground floor (including a fully stocked bar); the room is normally divided by folding partitions into two lounge areas allowing for non-conflicting concurrent activities.

There are two conservatories on the first floor with balconies and a terrace on the roof of the single storey extension to the rear of the main building providing access to the fresh air and open aspect views for residents who might have difficulty in getting about. The top floor features a large lounge known as "The Bridge" with views across the River Medway to the Thames estuary and beyond. Each floor has its own dining room providing convenience for the residents and a relaxed atmosphere at mealtimes. The dining rooms on the two upper floors are linked by a newly refurbished lift to the modern kitchen. The Home is surrounded by its own landscaped gardens with a number of sitting out areas and opportunities for residents who wish to enjoy gardening. We produced a video (available on the website) to highlight the wonderful environment that the Home enjoys; the video includes aerial footage showing the extensive grounds and the lovely location opposite Gillingham Park.

There is a comprehensive Quality Improvement programme aimed at sustaining continuous improvement. Both lifts were successfully refurbished, and physical security has been further enhanced. Following a most generous donation from The Michael Uren Foundation, it was decided to allocate a proportion of the donation to important quality improvement programmes. In particular, it was felt that digitisation of medication processes and point of care recording would reap benefits in assisting staff to provide safe and effective medication and care, and offering senior managers accurate and timely information to monitor performance, highlight trends and thus make informed decisions, including improving and updating care plans so that they are as person-centred as possible. This programme is ongoing; the full benefits of the changes will become apparent in the near future. One of the floors have also been completely re-decorated and re-floored in Karndean, with significant benefits in assisting cleanliness and therefore infection control as well as improving the appearance of the Home; it is planned to re-floor the top floor during 2018. Additionally a rolling programme of redecoration of residents' rooms and dining rooms has been progressed.

Occupancy averaged 88.2% for the year, compared to the previous year's rate of 92.7%. This was due primarily to a higher than average turnover rate.

Medway Local Authority fees increased by 3.7% in the year and the Trust successfully negotiated an increased rate for all new admissions funded by Medway LA from April 2017. Despite this, underfunding by Local Authorities remains a significant issue for the Trust and all other residential care providers. The shortfall between the cost of caring for state funded residents and the fees received was £292k for the year. The Trust relies on the generosity of its supporters who provide grants and donations to Pembroke House (most notably The Michael Uren Foundation) to help bridge the funding gap.

The residents are naturally the main focus of attention, but there are many others who make up the Pembroke House community i.e. the staff, the Friends of Pembroke House (volunteers), the residents' families, and the Home's many supporters. They all have an important role to play in making Pembroke

House a unique place with a very special atmosphere. The demand for places especially by those needing higher levels of care is expected to remain constant and, given the demographic profile in the UK, the demand for high quality care homes seems set to last.

The Trust aims to attract and retain good staff by offering a package of pay and conditions that compares favourably with other high quality homes in the area. Training in core skills and promoting a culture whereby staff are encouraged to gain additional skills and qualifications is central to the Trust's philosophy. RGN recruitment has been challenging, reflecting the national shortage of nurses.

The range of outings, functions and in-house activities enjoyed by the residents continues to be a significant feature of life in the Home. This year has been no exception and once again, the Trust is indebted to everyone who has so generously provided hospitality. The highlights have included the Royal Garden Party at Buckingham Palace and a day at Wimbledon during The Championships, both arranged by the Not Forgotten Association, and further visits to Chatham's Historic Dockyard, including a visit to HMS RICHMOND, visits to Kent County Cricket Club, Herne Bay, Capstone Park, a boat trip at Southampton, and many others. There have been many invitations to social events from branches of the Royal Naval Association, the Lloyds of London Branch of The Royal British Legion and others including Remembrance Sunday itself at the Cenotaph in London. The marble memorial tablet has been commissioned in the garden including a reflective engraving for our ex-service residents was used as a focus for Remembrance Sunday for those unable to make the trip to the Cenotaph.

The Care Quality Commission (CQC) carried out a comprehensive inspection of Pembroke House on 13th and 14th June 2018 and rated the Home as 'Good' in all areas. The report included the following comments:

- There were appropriate levels of staff employed to provide the care people required to make sure they were safe
- People were treated with dignity and respect
- A good range of activities, inside and outside of the home, were well planned and attended

3.3 The John Cornwell VC National Memorial (JCVCNM): our link to youthful heroism at Jutland, delivering tranquil living for needy beneficiaries

The 6-unit almshouse complex was built in Hornchurch, Essex following a public subscription to erect a permanent memorial to the heroism of Boy Seaman John Cornwell VC who died of his wounds after the Battle of Jutland. The almshouse is overseen by the Head of Administration at Pembroke House, and its governance is delivered through the Care of Older People sub-committee. RNBT took over the JCVCNM almshouse as the sole trustee in February 2008. In 2017 one cottage became vacant, and the opportunity was taken to review options for improving disabled access. However due to the high cost of conversion of these 1920s properties, the trustees decided that major improvement was not cost-effective, and the vacant property was therefore refurbished and made available for occupation. The 2-bedroom semi-detached properties ('cottages') remain in a good state of repair. Outgoings are covered by the Weekly Maintenance Charge (WMC). In addition, there is a restricted fund that allows for any major repairs or upgrading/modernisation as required.

3.4 Support for the RNBT Family through other organisations: partnering organisations which help our beneficiaries

The Trust once again provided support to its beneficiaries through selected organisations. This is an important aspect of the Trust's benevolent work; such assistance not only directly supports The RNBT Family but also ensures the work of the Trust is promoted in the wider charitable arena. It is emphasised that assistance is only provided on a verifiable per capita basis (name and official number) for each of the Trust's beneficiaries in receipt of assistance.

3.5 Advice on Welfare Matters: here to help

The Trust receives a constant stream of welfare related queries. Many queries are within the competence of the RNBT staff to answer but where this is not the case, the matter is referred to other appropriate organisations. The Trust's staff has built up excellent working relationships with the many agencies involved.

3.6 Castaway House: a hub for naval benevolence charities

The Trust's headquarters in Portsmouth, Castaway House, which is wholly owned by the Trust, acts as a hub for naval benevolence charities, with the following charities retaining offices in the building: Aggie Weston's; the Naval and Military Bible Society; RFEA The Forces Employment Charity; the Royal Navy & Royal Marines Children's Fund; The Royal Navy & Royal Marines Widows Association; Seafarers UK and the WRNS Benevolent Trust. Co-location has many benefits, including keeping overheads low, but also has advantages of synergy and camaraderie. In January 2018 RNBT welcomed the Nautilus Welfare Fund, a Merchant Navy benevolence charity, to Castaway House. Seafarers UK has announced that there is no longer a requirement for a Portsmouth office beyond June 2018, and has given notice to leave. RNBT welcomes Help for Heroes who are establishing a regional hub in Castaway House from July 2018.

With the assistance of a generous external facilities grant from The Royal British Legion, the Trust converted the existing committee room into a multi-use facility with particular focus on the delivery of training courses. The refitted room, boasting impressive presentation facilities, has been re-named The Jellicoe Room in honour of our founder, and it was with great pleasure that the Trust invited Mr Nick Jellicoe, naval author and grandson of Admiral Jellicoe, to officially open The Jellicoe Room on 26th January 2018. It has been used for training courses by X-Forces and Combat Stress, and we look forward to welcoming other like-minded charities to use this free facility.

3.7 Public Relations and Events: spreading awareness of RNBT's activities

Following a review, a number of improvements in the Trust's PR profile have been achieved. The major change has been a completely new website (www.rnbt.org.uk) which was successfully launched during the Annual Presentation at HMS COLLINGWOOD on 11th October 2017, in front of the First Sea Lord, Admiral Sir Philip Jones, and other VIPs. Other initiatives have been taken forward aimed at increasing awareness of the Trust's facilities and activities, particularly harnessing the reach of social media to spread our message widely. The Trust was honoured to be informed that RNBT is the chosen charity for The Mayor-Elect of Fareham, Councillor Mrs Susan Bayford, during her year in office from May 2018, and looks forward to the opportunities that this will present to highlight the work of the Trust. In addition to attending a number of RN events, including the National Armed Forces Day in Liverpool, RNBT held a Dinner onboard HMS VICTORY on 25th May 2017. This excellent event allowed RNBT to highlight its mission as well as achieving limited fundraising. Other similar events will be programmed for future years.

In 2017 the Trust registered with The Fundraising Regulator. The Fundraising Complaints Policy was approved by Trustees in May 2018 and will be reviewed annually. Although public fundraising is a limited activity of the Trust we are committed to employing a transparent and ethical approach to any fundraising activities we engage in. As such we are committed to ensuring that our fundraising practices go above and beyond all regulations that we will rigorously monitor and adhere to. The purpose of the policy is to ensure clarity and openness to all our stakeholders. The Trust does not pressure supporters to make gifts and respects decisions to stop giving. The regulatory landscape for fundraising is evolving and we will continue to monitor and adapt with these changes, this includes preparation for the introduction of General Data Protection Regulation in May 2018. When we work with suppliers and agencies we ensure that they are fully registered with all the appropriate regulatory bodies, reviewing all their policies as part of our robust procurement due-diligence process.

As at 31 March 2018 no complaints have been received. We will monitor and record any complaints if they do arise from our fundraising practices, and an annual report will be provided to Trustees.

4. FINANCIAL REVIEW

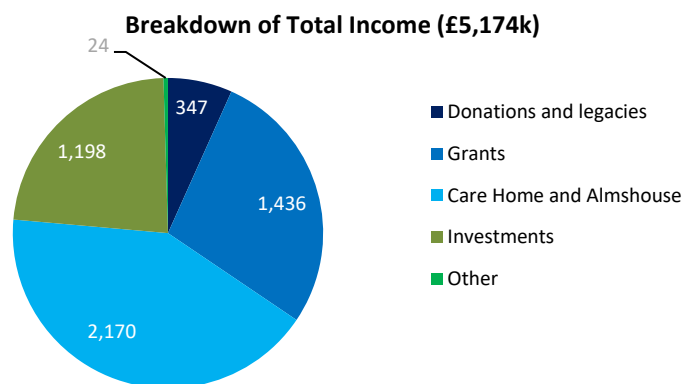
4.1 Overview

	2017/18 £000	2016/17 £000	Change £000
Income	5,174	5,556	(382)
Charitable expenditure	5,256	5,258	(2)
Raising funds	105	86	19
Investment Gains	444	5,036	(4,592)

In 2017/18 the Trust's income totalled £5,174k (2016/17: £5,556k) falling 7% from the previous year. This was primarily due to an exceptionally good year for legacy income in the previous year. The Trust was able to maintain charitable expenditure at £5,256k, a similar level to the previous year (£5,258k) despite the reduction in income.

4.2 Income

Total income in 2017/18 was £5,174k.



The Trust funds its activities from a number of sources. This includes grants from block grant making charities, donations and legacies, income from investments and our care home and almshouse fees.

Donations and legacies. Income from donations and legacies fell to £347k (2016/17: £1,009k). The Trust had an exceptionally good year for legacies in 2016/17, receiving £744k in total (the highest annual amount received for over ten years), so a reduced level of legacy income of £146k was not unexpected for 2017/18. Donations received in 2017/18 totalled £201k, a reduction of £64k from 2016/17. However, donations in 2016/17 were somewhat distorted by the transfer of £166k from The Royal Naval Reserve Benevolent Fund. Donations to the Trust include regular gifts, gifts in memory and donations from ships, establishments, ex-service associations and corporate supporters. The Trust is immensely grateful for every donation and legacy gift. Without such generosity, the Trust would not be able to provide the level of support to beneficiaries it currently does.

Grants Income from grants was £1,436k, a fall of £236k from the previous year. The Trust makes applications for grant funding based on financial need. Therefore, where the Trust has benefitted from higher levels of other income sources, such as with increased legacy income in 2016/17, the Trust reduces its bid for grant funding accordingly. The Trust's principal grant funding supporters remain Greenwich Hospital and RNRMC, which between them provided £1,359k of funding for our joint beneficiaries. The Trust also received generous grants from Barclays, The Queen Mary's Roehampton Trust, The Royal British Legion, the Durnford and Cawthan Trust (administered by the Hampshire and Isle of Wight Community Foundation) and The Royal Marines Charity.

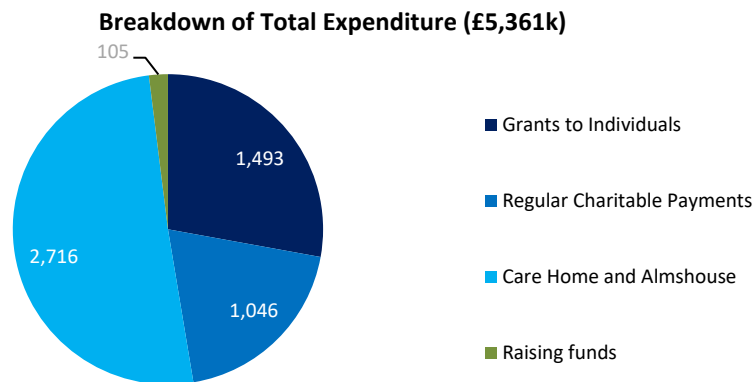
Care home and almshouse This includes income from residents' fees as well as donations and grants provided specifically for the care home and almshouse. Care home and almshouse income grew by 6% to £2,170k (2016/17 £2,046k). Income from Pembroke House residents' fees was virtually unchanged at £1,849k. Income from donations and grants increased to £251k (2016/17: £128k) mainly due to the receipt of a £150k donation from The Michael Uren Foundation, which continues to be a vital supporter to RNBT and to Pembroke House in particular.

Investments are an important source of income for the Trust. Investment income was £1,198k for the year, an increase of £393k. This increase was due to a restructure of investments during the year to switch from capital accumulation units to income paying units.

Other income comprises lease payments from our naval charity sector tenants in Castaway House and other minor miscellaneous income. Other income totalled £24k for the year (2016/17: £24k).

4.3 Expenditure

Total expenditure in 2017/18 was £5,361k.



Grants to Individuals Expenditure on grants to individuals fell by 4% to £1,493k (2016/17: £1,552k). The number of grant awards fell by 14%, while the average grant award increased by 4% to £743. The fall in grant awards was partly due to The Royal Marines Charity electing to fully fund cases rather than almonise with other charities.

Regular Charitable Payments (RCPs) Expenditure increased by 1% to £1,046k (2016/17: £1,036k). During the year the Trust supported 837 beneficiaries on low incomes with a weekly payment of between £21 and £30.

Care home and almshouse The cost of running Pembroke House and the John Cornwell VC National Memorial Almshouse increased in line with inflation with a 2% increase to £2,716k (2016/17: £2,670k) Expenditure on Agency healthcare staff and nurses reduced significantly with a corresponding increase in permanent staff to ensure better quality of care for residents.

Raising Funds Expenditure increased to £105k (2016/17: £86k). This was due to development of the website, additional promotional materials and increased advertising. All of these initiatives were primarily aimed at increasing awareness of how the Trust can assist its beneficiaries.

4.4 Net position

There was a net deficit for the year of £187k. This was planned and was funded from a withdrawal from investments.

Despite a turbulent year for investment markets, the Trust's investments ended the year with an overall gain of £444k. The investment gain offset the operating deficit resulting in a net increase in funds of £257k. Total funds carried forward are £43.8 million. The Trust continues to ensure that its investments are utilised to maximise income and growth while ensuring sustainability to ensure the Trust can provide care and support to The RNBT Family for as long as may be necessary.

4.5 Investment Policies and Performance

Investment income is an essential source of financing the Trust's operating expenditure. The investment portfolio represents 90% of total net assets and the Trust looks to maintain its value so that it can continue to deliver against its charitable objectives into the foreseeable future. This philosophy is encapsulated in the Trust's Investment Policy document that is subject to annual review. The Trust's target total return for its investments is RPI + 4% over a rolling five-year period with the investment objective of achieving real growth in capital and income over the long term. This target has been achieved by careful selection of investment managers with suitable funds which meet the criteria of the Trust's Investment Policy. The performance of the Trust's investment managers is constantly monitored and the Trust will take action to change managers when it is appropriate to do so.

Approximately half of the Trust's investments are held in CCLA's COIF Fund. CCLA produced a cumulative return of 52% compared to a target of 36% (RPI + 4% compounded over the 5 year period) for the five-year period to 31 March 2018. The other half of the Trust's investments are held in Newton's Growth & Income Fund for Charities. Newton's performance over the same 5-year period saw a cumulative return of 53% against the same 36% target. These two investment funds continue to be among the best performing of the comparable charity multi-asset funds over the five year period. Newton, as with CCLA, operate unitised investments with approximately 85% in equities and 14% in bonds and 1% in cash. CCLA's holdings are approximately 73% equities, 14% property/infrastructure, 7% contractual/private equity and 6% fixed interest / cash.

The Trust holds modest cash deposits in a savings account to meet short-term liquidity requirements thus avoiding the need to sell-down investment units. The Trust's cash investment balance reduced over the year from £503k to £304k at 31 March 2018; the interest rate payable on the account is 0.25%.

4.6 Policy on Reserves

The RNBT does not have 'free' reserves in the sense that the Trust is able to readily redeploy elements of its investments to fund either projects or for cash flow purposes. The Trust relies on investment income to fund programmed day-to-day expenditure in support of the Trust's primary charitable objectives that in Charity Commission public benefit terms is the relief of poverty. The Trust could not deliver the help needed to support The RNBT Family without its investment income and the Trust is not therefore at liberty to deploy invested funds elsewhere without incurring a clear penalty to the delivery of its primary charitable objective.

The Trust prepares a rolling five year financial plan on the basis of utilising its investment portfolio to withdraw the maximum possible within sustainable limits. However, the Trust continues to require support from external funders to support its main output i.e. grants to individuals and Regular Charitable Payments. The Trust has a transparent and honest approach to applications for external funding, only bidding for the funds required to meet the needs of beneficiaries. The Trust reduced its block grant funding bid to RNRMC/Greenwich Hospital for 2017/18 as a result of the increased income from legacies in 2016/17; future bids will be similarly informed by un-budgeted income streams, beneficiary need informed by demographic data and the clear requirement to maintain a sustainable financial base for future operations. Surety of income is vital if the Trust is to continue to meet its charitable objectives and the support of the block grant making charities remains as vital as it is welcome.

The Trust's investments will remain an essential source of income if programmed and ongoing expenditure profiles are to be met. It therefore remains the case (as in previous reports) that the Trust does not have reserves to dispose of freely as defined in SORP 2015 or Charity Commission guidance documents. The Trust's net worth has been restored to the level it was prior to buying out the final salary pension scheme liability and in funding the Pembroke House extension, both very sound fiscal measures. The Trust will continue to monitor demographic data and forecast changes in demand for benevolence support in assessing the appropriate withdrawal from investments.

4.7 Pension Scheme

The Trust operates a Group Personal Pension (defined contribution) scheme (GPP) with employee contributions set at a minimum 3% of earnings and an employer's contribution of 7%. The Trust fully complies with the auto-enrolment regulations and has a very low rate of employees choosing to opt-out of the scheme.

4.8 Remuneration Policy

The Trust exercises a methodical and transparent approach to setting employees' pay commensurate with delivering the Trust's charitable objectives in an efficient, cost-effective and sustainable manner. As a charity which provides multiple areas of assistance, employing over 100 staff and managing assets of over £43 million, it is essential that the organisation is led by experienced senior executives with the right mix of leadership, strategic, operational, financial and clinical skills. A balance therefore needs to be struck when determining senior executive remuneration. On the one hand, there is the esteem and value of working for a charity and on the other, there are a limited number of applicants of the right quality for senior roles who will seek charity sector posts. The Trust's inability to offer some of the incentives available in the private and public sectors such as bonus payments, share-based incentives and final salary pension schemes can deter applicants of the right quality. In addition, remuneration needs to be set at a level 'acceptable' to the bulk of the employees as well as donors and beneficiaries.

All rates of pay are set at or close to the median for equivalent sized charities. Reference is made to Croner's Annual Charity Rewards Survey and is further informed through peer comparisons with similarly sized Service charities and with the National Care Forum's network of charity owned care homes. The Trust complies with Minimum Wage legislation, and is also comfortably compliant with National Living Wage rates; the Trust does not differentiate rates of pay based on age or sex.

The Finance & General Purposes Committee has responsibility for approving any pay rises including those linked to the annual cost of living review. A full review of pay bands/scales is carried out periodically to ensure the Trust remains in step with the sector. Levels of pay are considered alongside other forms of employee

reward that includes the pension scheme, a health cash plan, death in service benefit and permanent health insurance. It is the Trust's intention to offer a competitive range of employee benefits as part of its total reward package.

5. RISK MANAGEMENT

Trustees formally review the major risks to which the Trust may be exposed once per annum. A review of the Register has taken place to reflect best practice, with risks categorised as: Governance and Compliance; Operational; Resources; and Operational-Pembroke House. Risks are assessed by marking the likelihood and impact from 1 – 10 and producing an overall risk score from the formula $xy+y$ where x is likelihood and y is impact, which gives extra emphasis to impact when assessing risk. Risks scoring 40 or more are coded Red (significant), Yellow (moderate) or Green (minor). The top significant risks (scored at 40 or more) are shown below along with their mitigation:

Category	Risk description	Score	Mitigation
Governance and Compliance	Safeguarding - failure to comply with CC guidance and Care Act	40	Lead trustee appointed. Safeguarding Policy updated. Increased trustee engagement through COPC.
Operational	Lack of suitably trained caseworkers	60	Liaison with caseworking organisations; Grant Administrators input to training events.
Operational Pembroke House	Complaint by resident, relative or member of staff - impact on reputation	40	Procedure to deal with such events in place including prompt investigation; legal advice.
	Abuse of a resident	40	Staff training and high standard of supervision. Updated Safeguarding policy.
	Reduced occupancy - shortfall in income	110	Advertising and Marketing Plan implemented in 2017; production of new publicity brochure.
	Local Authority funding - shortfall in income	33	Regular dialogue with Local Authorities to more closely match their Band to our Contract prices; 'healthy' Residents Support Fund for subsidy.
	Failure to achieve satisfactory CQC inspection - worst case could force closure	40	Action plan in place to address areas for improvement following 2016 CQC inspection. Quality improvement programme. Pre-inspection reviews.
	Medication errors	40	Procedure in place coupled with regular training; medicator positions. Medication digitisation project.

6. PUBLIC BENEFIT

The principal means through which the Trust delivers public benefit is in the prevention and relief of poverty. This benefit is delivered through both RCPs and individual crisis grants to those that comprise The RNBT Family in accordance with the Trust's primary charitable objective. Additional public benefit is delivered through the provision of relief for those in need by reason of age, disability and/or financial hardship through the Trust's almshouse and care home.

In setting the Trust's objectives and in planning its activities, trustees have given careful consideration to the Charity Commission's published guidance on public benefit. The relief provided by the Trust is inextricably linked to its Royal Charter. It is based solely on need, is targeted and does not duplicate assistance provided from other quarters (including the State). It is therefore considered that the Trust meets the clearly identified need of the relief of poverty, and if it were not for the Trust's intervention, those concerned would suffer unacceptable hardship.

7. LINKS WITH OTHER CHARITIES AND ORGANISATIONS

Links are maintained with many other service charities and organisations, with the block grant making charities being of particular importance. The Trust continues to work closely with the RNRMC and other charities/organisations actively to explore ways in which already close working relationships might be further advanced. The Trust is keen to explore ways in which the RN benevolence sector might be developed to better position itself to face future challenges (not the least of which is the shrinking Naval Service demographic) and we look forward to playing an active role in the debate.

An especially strong and professional relationship continues to exist with the organisations that carry out casework in support of the Trust's beneficiaries. The Trust could not deliver against its charitable objectives without the largely volunteer based work of SSAFA, The Royal British Legion and the Royal Commonwealth Ex-Services League; the needs of serving personnel are addressed, in the main, by the RN & RM Welfare organisation. The military charity sector continues to benefit from a high level of connectivity across the benevolence sector, in the main provided by a bespoke IT system for casework management, which facilitates the process of almonisation. This IT system, known as CMS, is due for replacement, funded by Cobseo, and work is progressing to deliver a new system (Project Mayflower) in 2018/19. RNBT is closely engaged in this project through membership of the Casework Steering Group, the CMS Working Group and the CMS Management Board, where RNBT represents the naval benevolence sector, as well as participating in a number of workshops during the 'discovery' phase of the project. The Trust is extremely grateful to RNRMC which funds the naval contribution to the running costs of CMS, and to all those involved in casework. In parallel, the requirements of the General Data Protection Regulations (GDPR) have required a review of all data protection policies and procedures, including those associated with CMS, to ensure compliance. Staff and volunteer training has been completed, and a data protection audit is planned to be conducted by SSAFA.

8. FUTURE PLANS

The Trust's objectives for 2018/19 are:

- To assist The RNBT Family through individual grants; regular charitable payments; advice on welfare and allied matters, and holistic support to beneficiaries.
- To continue to meet and where possible exceed the Care Quality Commission's standards at Pembroke House through independent audit (consultants) reports.
- To achieve 94% occupancy at Pembroke House and 100% occupancy at JCVCNM almshouse.
- To review and improve the Trust's governance.
- To develop measures of effectiveness of beneficiary outcomes.

- To further develop holistic support for beneficiaries.
- To integrate and update IT across RNBT (i.e. at both Castaway House and Pembroke House).
- To introduce digitisation of care records and medication at Pembroke House to assist the quality improvement programme.
- To consolidate investments by the sale of the Trust's Batchelor Street property.
- To modernise HR processes.
- To initiate other follow-on actions emanating from the Strategy Day.

Approved by the Central Committee
and signed on their behalf by:

Captain N Fletcher Royal Navy
Chairman

28 September 2018

THE ROYAL NAVAL BENEVOLENT TRUST

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

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 for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 charity's constitution. 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.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL NAVAL BENEVOLENT TRUST

Opinion

We have audited the financial statements of The Royal Naval Benevolent Trust (the 'charity') for the year ended 31 March 2018 which comprise the statement of financial activities, balance sheet, statement of cash flows 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 Financial Reporting Standard 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 2018 and of its incoming resources and application of resources, for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

Other information

The other information comprises the information included in the trustees' report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. 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. In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 Act 2011 requires us to report to you if, in our opinion:

- The information given in the trustees' annual report is inconsistent in any material respect with the financial statements;
- Sufficient accounting records have not been kept; or
- The financial statements are not in agreement with the accounting records and returns; 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 set out in the trustees' report, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the 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 regulations made under section 154 of that Act.

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the charity's trustees as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. 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.

Date

Sayer Vincent LLP, Statutory Auditor

Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

Sayer Vincent LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 March 2018

	Note	Unrestricted Funds	Designated Funds	Restricted Funds	Endowment Funds	Total Funds 2018	Total Funds 2017
		£	£	£	£	£	£
Income from:							
Donations and legacies	3	345,823	-	1,251	-	347,074	1,009,109
Grants receivable	4	30,000	-	1,405,885	-	1,435,885	1,672,384
Charitable activities							
- Care home and almshouse	5	1,857,399	-	312,256	-	2,169,655	2,045,851
Investments	6	1,077,121	87,001	33,397	-	1,197,519	805,147
Other	7	<u>23,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	23,900	<u>23,512</u>
Total income		<u>3,334,243</u>	<u>87,001</u>	<u>1,752,789</u>	<u>-</u>	5,174,033	<u>5,556,003</u>
Expenditure on:							
Raising funds		105,393	-	-	-	105,393	85,636
Charitable activities							
- Grants to individuals	9	953,850	71,583	467,939	-	1,493,372	1,552,352
- Regular Charitable Payments	9	40,581	-	1,005,772	-	1,046,353	1,035,931
- Care home and almshouse		<u>2,590,353</u>	<u>26,291</u>	<u>99,313</u>	<u>-</u>	2,715,957	<u>2,670,208</u>
Total expenditure	8	<u>3,690,177</u>	<u>97,874</u>	<u>1,573,024</u>	<u>-</u>	5,361,075	<u>5,344,127</u>
Net (expenditure) / income before net gains on investments		(355,934)	(10,873)	179,765	-	(187,042)	211,876
Net gains on investments	16	<u>387,267</u>	<u>31,726</u>	<u>14,133</u>	<u>10,503</u>	443,629	<u>5,036,473</u>
Net income for the year		31,333	20,853	193,898	10,503	256,587	5,248,349
Transfers between funds	20	148,621	26,291	(174,912)	-	-	-
Net movement in funds		<u>179,954</u>	<u>47,144</u>	<u>18,986</u>	<u>10,503</u>	256,587	<u>5,248,349</u>
Reconciliation of funds							
Total funds brought forward		<u>37,074,204</u>	<u>3,112,852</u>	<u>2,329,797</u>	<u>1,009,997</u>	43,526,850	<u>38,278,501</u>
Total funds carried forward		<u>£37,254,158</u>	<u>£3,159,996</u>	<u>£2,348,783</u>	<u>£1,020,500</u>	£43,783,437	<u>£43,526,850</u>

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 20 to the financial statements.

BALANCE SHEET
As at 31 March 2018

	Note	Unrestricted Funds	Designated Funds	Restricted Funds	Endowment Funds	Total Funds 2018	Total Funds 2017
		£	£	£	£	£	£
FIXED ASSETS							
Tangible fixed assets	14	3,224,488	-	806,431	7,206	4,038,125	4,000,652
Investment properties	15	218,000	-	-	-	218,000	218,000
Investments	16	<u>33,522,959</u>	<u>3,159,996</u>	<u>1,542,352</u>	<u>1,013,294</u>	<u>39,238,601</u>	<u>38,994,137</u>
		36,965,447	3,159,996	2,348,783	1,020,500	43,494,726	43,212,789
CURRENT ASSETS							
Stock		14,249	-	-	-	14,249	16,936
Debtors, prepayments and accrued income	17	386,524	-	-	-	386,524	332,781
Cash at bank and in hand		<u>94,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,072</u>	<u>125,522</u>
		494,845	-	-	-	494,845	475,239
LIABILITIES							
Creditors: amounts falling due within one year	18	<u>(206,134)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(206,134)</u>	<u>(161,178)</u>
NET CURRENT ASSETS		<u>288,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,711</u>	<u>314,061</u>
TOTAL NET ASSETS		<u>£37,254,158</u>	<u>£ 3,159,996</u>	<u>£ 2,348,783</u>	<u>£ 1,020,500</u>	<u>£43,783,437</u>	<u>£43,526,850</u>
THE FUNDS OF THE CHARITY							
Unrestricted funds	20	37,254,158	-	-	-	37,254,158	37,074,204
Designated funds	20	-	3,159,996	-	-	3,159,996	3,112,852
Restricted funds	20	-	-	2,348,783	-	2,348,783	2,329,797
Permanent endowment funds	20	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,020,500</u>	<u>1,020,500</u>	<u>1,009,997</u>
TOTAL CHARITY FUNDS		<u>£37,254,158</u>	<u>£ 3,159,996</u>	<u>£ 2,348,783</u>	<u>£ 1,020,500</u>	<u>£43,783,437</u>	<u>£43,526,850</u>

Approved and authorised for issue by the Trustees on 28 September 2018 and signed on their behalf by

J Moulson MBE
Honorary Treasurer

STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Note	2018 £	2017 £
Cash flows from operating activities	22		
Net cash used in operating activities		(1,227,395)	(193,744)
Cash flows from investing activities:			
Dividends, interest and rents from investments		1,197,519	805,147
Proceeds from the sale of fixed assets		-	5,299
Purchase of fixed assets		(200,739)	(190,219)
Proceeds from the sale of investments		-	-
Net cash provided by investing activities		<u>996,780</u>	<u>620,227</u>
Change in cash and cash equivalents in the year		(230,615)	426,483
Cash and cash equivalents at the beginning of the year		<u>628,362</u>	<u>201,879</u>
Cash and cash equivalents at the end of the year	23	<u>£ 397,747</u>	<u>£ 628,362</u>

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The Royal Naval Benevolent Trust is an unincorporated charity registered with the Charity Commission in England & Wales. The registered office address is Castaway House, 311 Twyford Avenue, Portsmouth PO2 8RN.

a) Basis of Preparation

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) (effective 1 January 2015) - (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (September 2015) and the Charities Act 2011.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

b) Public Benefit entity

The Trust meets the definition of a public benefit entity under FRS 102.

c) Going concern

The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern.

The trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

d) Income

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

Income from grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

For legacies, entitlement is taken as the earlier of the date on which either: the Trust is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the charity that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the Trust has been notified of the executor's intention to make a distribution. Where legacies have been notified to the Trust, or the Trust is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

Care home and almshouse income comprises fees in respect of residents at Pembroke House, weekly maintenance charges in respect of John Cornwell VC National Memorial Almshouse and donations and grants receivable, all of which are accounted for on an accruals basis.

e) Donations of gifts, services and facilities

Donated professional services and donated facilities are recognised as income when the Trust has control over the item or received the service, any conditions associated with the donation have been met, the receipt of economic benefit from the use by the Trust of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), volunteer time is not recognised so reference should be made to the trustees' annual report for more information about their contribution.

On receipt, donated gifts, professional services and donated facilities are recognised on the basis of the value of the gift to the Trust which is the amount the Trust would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

f) Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Trust; this is normally upon notification of the interest paid or payable by the bank.

g) Fund accounting

Restricted funds are to be used for specific purposes as laid down by the donor; expenditure which meets these criteria is charged to the fund. Endowment funds are funds where the capital must be retained and invested. Unrestricted funds are donations and other income received or generated for the charitable purposes. Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

h) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds relate to the costs incurred by the Trust in inducing third parties to make voluntary contributions to it
- Expenditure on charitable activities includes:
 - Grants and Regular Charitable Payments (RCPs) to individuals* - Grants and RCPs to individuals are included when they are authorised by the relevant committee. These costs include the support costs incurred in managing the grants and RCPs systems.
 - Care home and almshouse* - the direct operating costs of Pembroke House and John Cornwell VC National Memorial Almshouse are included with the addition of support costs representing services provided by Headquarters.
- Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.
- Other expenditure represents those items not falling into any other heading.

i) Allocation of support costs

Expenditure is allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the following basis which is an estimate, based on staff time, of the amount attributable to each activity.

▪ Grants to Individuals	37%
▪ Regular Charitable Payments	8%
▪ Care Home and Almshouse	35%
▪ Raising Funds	20%

j) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

k) Tangible Fixed Assets

Individual fixed assets costing £500 or more are capitalised. All properties, furniture and equipment are held as operating assets.

Depreciation is provided at the following annual rates on a straight-line basis:-

Property	-	over 50 years to estimated residual value (except for the garden and solar panels at Pembroke House which are depreciated at 5%)
Furniture, equipment & vehicles	-	between 5% and 33.3% depending on the expected life of the asset
I.T. Equipment	-	between 6.7% and 33.3% depending on the expected life of the asset

l) Investment properties

Investment properties are included in the balance sheet at fair value and are not depreciated.

m) Investment portfolio

The investment portfolio has been valued at mid-market value as at 31 March 2018. The SOFA includes the net gains and losses on investments arising on revaluation at the year-end and on disposals throughout the year. The charity does not acquire put options, derivatives or other complex financial instruments.

n) Gains and losses

All gains and losses are taken to the statement of financial activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the statement of financial activities.

o) Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

p) Debtors

Trade and other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid.

q) Cash at bank and in hand

Cash at bank and cash in hand excludes cash investments which are part of the Trust's investment portfolio in line with the approved Investment Policy. Cash balances exclude any funds held on behalf of service users.

r) Creditors and provisions

Creditors and provisions are recognised where the Trust has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

The Trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

s) Pensions

The Trust operates two defined contribution pension schemes and the pension charges in relation to these schemes represent the amounts payable by the Trust to the schemes in respect of the year.

2 DETAILED COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 March 2017

	Note	Unrestricted Funds £	Designated Funds £	Restricted Funds £	Endowment Funds £	Total Funds £
Income from:						
Donations and legacies	3	836,989	-	172,120	-	1,009,109
Grants receivable	4	30,000	-	1,642,384	-	1,672,384
Charitable activities						
- Care home and almshouse	5	1,933,974	-	111,877	-	2,045,851
Investments	6	726,332	59,325	19,490	-	805,147
Other	7	<u>23,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,512</u>
Total income		<u>3,550,807</u>	<u>59,325</u>	<u>1,945,871</u>	<u>-</u>	<u>5,556,003</u>
Expenditure on:						
Raising funds		85,636	-	-	-	85,636
Charitable activities						
- Grants to individuals		768,154	87,311	696,887	-	1,552,352
- Regular Charitable Payments		17,425	-	1,018,506	-	1,035,931
- Care home and almshouse		<u>2,524,847</u>	<u>79,156</u>	<u>66,205</u>	<u>-</u>	<u>2,670,208</u>
Total expenditure	8	<u>3,396,062</u>	<u>166,467</u>	<u>1,781,598</u>	<u>-</u>	<u>5,344,127</u>
Net income / (expenditure) before net gains / (losses) on investments		154,745	(107,142)	164,273	-	211,876
Net gains on investments		4,400,030	365,203	151,261	119,979	5,036,473
Revaluation gains on investment property		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income for the year	20	4,554,775	258,061	315,534	119,979	5,248,349
Transfers between funds		<u>23,406</u>	<u>79,156</u>	<u>(102,562)</u>	<u>-</u>	<u>-</u>
Net movement in funds		<u>4,578,181</u>	<u>337,217</u>	<u>212,972</u>	<u>119,979</u>	<u>5,248,349</u>
Reconciliation of funds						
Total funds brought forward		<u>32,496,023</u>	<u>2,775,635</u>	<u>2,116,825</u>	<u>890,018</u>	<u>38,278,501</u>
Total funds carried forward		<u>£37,074,204</u>	<u>£3,112,852</u>	<u>£2,329,797</u>	<u>£1,009,997</u>	<u>£43,526,850</u>

3 INCOME FROM DONATIONS AND LEGACIES

	Unrestricted Funds £	Designated Funds £	Restricted Funds £	Endowment Funds £	Total 2018 £	Total 2017 £
Donations	199,626	-	1,251	-	200,877	265,158
Legacies	<u>146,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,197</u>	<u>743,951</u>
	<u>£ 345,823</u>	<u>£ -</u>	<u>£ 1,251</u>	<u>£ -</u>	<u>£ 347,074</u>	<u>£1,009,109</u>

A full list of donations and legacies is published in the Annual Review each October and is available on the Trust's website www.rnbt.org.uk

4 GRANTS RECEIVABLE

	Unrestricted Funds £	Designated Funds £	Restricted Funds £	Endowment Funds £	Total 2018 £	Total 2017 £
RNRMC	-	-	409,201	-	409,201	638,524
Greenwich Hospital (RCPs)	-	-	939,684	-	939,684	958,860
Greenwich Hospital (Beneficiary Support Co-ordinator)	-	-	10,000	-	10,000	10,000
Queen Mary's Roehampton Trust	30,000	-	-	-	30,000	30,000
Durnford & Cawthran Trust	-	-	5,000	-	5,000	5,000
Barclays AFTER Fund	-	-	30,000	-	30,000	30,000
The Royal British Legion	-	-	10,000	-	10,000	-
The Royal Marines Charity	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
	<u>£ 30,000</u>	<u>£ -</u>	<u>£1,405,885</u>	<u>£ -</u>	<u>£ 1,435,885</u>	<u>£ 1,672,384</u>

5 INCOME FROM CHARITABLE ACTIVITIES – CARE HOME AND ALMSHOUSE

	Unrestricted Funds £	Designated Funds £	Restricted Funds £	Endowment Funds £	Total 2018 £	Total 2017 £
Care Home residents' fees	1,848,547	-	-	-	1,848,547	1,849,558
Care Home grants receivable, legacies and donations	-	-	250,624	-	250,624	127,921
Care Home investment and other income	8,852	-	26,321	-	35,173	33,914
Almshouse weekly maintenance charge	-	-	27,473	-	27,473	29,384
Almshouse investment and other income	-	-	<u>7,838</u>	-	<u>7,838</u>	<u>5,074</u>
	<u>£1,857,399</u>	<u>£ -</u>	<u>£ 312,256</u>	<u>£ -</u>	<u>£2,169,655</u>	<u>£2,045,851</u>

6 INCOME FROM INVESTMENTS

	Unrestricted Funds £	Designated Funds £	Restricted Funds £	Endowment Funds £	Total 2018 £	Total 2017 £
Dividends receivable from pooled funds	1,061,970	87,001	33,397	-	1,182,368	793,582
Rents receivable from investment property	13,970	-	-	-	13,970	8,890
Short term interest	<u>1,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,181</u>	<u>2,675</u>
	<u>£1,077,121</u>	<u>£ 87,001</u>	<u>£ 33,397</u>	<u>£ -</u>	<u>£1,197,519</u>	<u>£ 805,147</u>

7 OTHER INCOME

	Unrestricted Funds £	Designated Funds £	Restricted Funds £	Endowment Funds £	Total 2018 £	Total 2017 £
Rents receivable from charitable property	19,862	-	-	-	19,862	19,787
Miscellaneous income	<u>4,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,038</u>	<u>3,725</u>
	<u>£ 23,900</u>	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>	<u>£ 23,900</u>	<u>£ 23,512</u>

Rents receivable from charitable property refers to the lease rental income received from the tenants of Castaway House. The Trust charges rent at below market rates to organisations that support The RNBT and wider Naval Family.

8 ANALYSIS OF EXPENDITURE

	Raising Funds	Grants to Individuals	Regular Charitable Payments	Care Home and Almshouse	Total 2018	Total 2017
	£	£	£	£	£	£
Staff costs	50,677	217,371	43,038	2,034,556	2,345,642	2,282,479
Other support costs	49,566	68,731	15,419	64,187	197,903	168,359
Governance costs	5,150	9,607	2,171	9,272	26,200	13,482
Grants to Individuals	-	1,197,663	-	-	1,197,663	1,282,273
Regular Charitable Payments	-	-	985,725	-	985,725	980,381
Care Home and Almshouse	-	-	-	607,942	607,942	617,153
Total expenditure 2018	<u>£ 105,393</u>	<u>£1,493,372</u>	<u>£1,046,353</u>	<u>£2,715,957</u>	<u>£ 5,361,075</u>	
<i>Total expenditure 2017</i>	<i><u>£ 85,636</u></i>	<i><u>£1,552,352</u></i>	<i><u>£1,035,931</u></i>	<i><u>£2,670,208</u></i>		<i><u>£ 5,344,127</u></i>

Of the total expenditure, £3,690,177 was unrestricted (2017: £3,396,062), £97,874 was designated (2017: £166,467) and £1,573,024 was restricted (2017: £1,781,598).

9 GRANT MAKING

	Grants	Support Costs	Total 2018	Total 2017
	£	£	£	£
Medical	296,413	73,185	369,598	391,651
Education & Employment	61,640	15,219	76,859	94,054
Housing	585,307	144,516	729,823	675,380
Funerals	139,881	34,537	174,418	210,504
General	<u>114,422</u>	<u>28,252</u>	<u>142,674</u>	<u>180,763</u>
Total one-off grants to individuals	<u>1,197,663</u>	<u>295,709</u>	<u>1,493,372</u>	<u>1,552,352</u>
Regular Charitable Payments	<u>985,725</u>	<u>60,628</u>	<u>1,046,353</u>	<u>1,035,931</u>
	<u>£2,183,388</u>	<u>£ 356,337</u>	<u>£2,539,725</u>	<u>£2,588,283</u>

All grants are paid for the benefit of named individuals, identified as being members of The RNBT Family.

10 NET (EXPENDITURE) / INCOME FOR THE YEAR

This is stated after charging:-

	2018 £	2017 £
Depreciation	163,266	154,450
Profit on disposal of fixed assets	-	5,240
Operating lease rentals	10,424	11,556
Auditor's remuneration – Audit services	12,600	12,000

11 ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES, AND THE COST OF KEY MANAGEMENT PERSONNEL

Staff costs were as follows:

	2018 £	2017 £
Salaries	1,923,580	1,816,315
Redundancy and termination costs	-	5,030
National Insurance	134,306	139,367
Employer's contribution to defined contribution pension schemes	119,119	116,307
Other employee benefits	59,544	56,930
Agency staff	82,111	123,109
Recruitment and training	<u>26,982</u>	<u>25,421</u>
	<u>£2,345,642</u>	<u>£2,282,479</u>

Two employees were paid a salary in the band of £60,000 to £70,000. (2017: one employee was paid a salary in the band £70,000 to £80,000, none in the band £60,000 to £70,000)

The Employee Cost note shows employee notional salaries before any salary sacrifice schemes.

The total employee benefits of the key management personnel were £220,057 (2017: £233,722). Key management personnel include the Chief Executive, Financial Controller and Pembroke House Home Manager; the total employee benefits include salary, employer's national insurance contributions, employer's pension contributions and the value of other employee benefits such as Death in Service.

Trustees' expenses were as follows:

	2018 £	2017 £
Travelling expenses	<u>£ 965</u>	<u>£ 1,811</u>
Numbers being reimbursed	<u>4</u>	<u>7</u>

The charity trustees were not paid or received any other benefits from employment with the charity in the year (2017: £nil). No charity trustee received payment for professional or other services supplied to the charity (2017: £nil). However, one trustee is employed by the Trust's solicitors (see Note 13 Related Party Transactions). Transactions with the Trust's solicitors were on an arm's length basis.

12 STAFF NUMBERS

The average number of employees (headcount and full time equivalents (FTEs)) during the year was as follows:

	2018		2017	
	Headcount	FTEs	Headcount	FTEs
Headquarters	11	9	11	9
Pembroke House	<u>101</u>	<u>74</u>	<u>99</u>	<u>70</u>
	<u>113</u>	<u>83</u>	<u>110</u>	<u>79</u>

The Trust uses agency nursing and care staff at Pembroke House to cover for sickness and short term unplanned staff shortages. The equivalent of 2.3 FTE agency staff was employed during the year (2017: 3.7).

13 RELATED PARTY TRANSACTIONS

Tim Forer, the Trust's specialist Legal and Management trustee is employed by Blake Morgan, the Trust's Solicitors. £3,462 was paid to Blake Morgan during the year (2017: £4,324) for legal services relating to an amendment to the Royal Charter and registration of the Trust's property at Batchelor Street with The Land Registry.

14 TANGIBLE FIXED ASSETS

	Freehold properties £	Furniture & equipment £	Motor Vehicles £	Total £
COST				
At 1 April 2017	4,932,547	744,713	77,433	5,754,693
Additions	34,749	165,990	-	200,739
Disposals	-	(28,070)	-	(28,070)
At 31 March 2018	<u>4,967,296</u>	<u>882,633</u>	<u>77,433</u>	<u>5,927,362</u>
DEPRECIATION				
At 1 April 2017	1,254,012	495,512	4,517	1,754,041
Charge for the year	84,755	70,768	7,743	163,266
Disposals	-	(28,070)	-	(28,070)
At 31 March 2018	<u>1,338,767</u>	<u>538,210</u>	<u>12,260</u>	<u>1,889,237</u>
NET BOOK VALUE				
At 31 March 2018	<u>£3,628,529</u>	<u>£ 344,423</u>	<u>£ 65,173</u>	<u>£4,038,125</u>
<i>At 31 March 2017</i>	<u>£3,678,535</u>	<u>£ 249,201</u>	<u>£ 72,916</u>	<u>£4,000,652</u>

All of the above assets are used for charitable purposes.

15 INVESTMENT PROPERTY

	2018 £	2017 £
Fair value at the start of the year	<u>218,000</u>	<u>218,000</u>
Fair value at the end of the year	<u>£ 218,000</u>	<u>£ 218,000</u>

The above property relates to 1A Batchelor Street, Chatham, which had been the Trust's head office but in recent years has been held for investment purposes. The fair value has been calculated by reference to the rental income and a typical yield of 7% following discussions with a commercial property surveyor in the Chatham area. During the year, a professional valuation of the property was obtained with a view to its disposal. The valuation was for £210,000. After discussions with the Trust's auditors, the fair value in the financial statements has not been amended as the difference is not material.

Trustees took the decision during the year to sell the property by auction providing the reserve price is reached and subject to some minor works to remove reference to the Trust from the exterior of the building. Given these conditions the property is still accounted for as an investment property rather than as an asset held for sale within current assets.

16 INVESTMENTS

a Movements in investments during the year

	2018 £	2017 £
Market value at start of year	38,491,297	33,454,824
Additions at cost	20,154,533	18,815,560
Disposals at carrying value	(20,129,094)	(17,348,290)
Net gain on revaluation	<u>418,190</u>	<u>3,569,203</u>
Total investments	<u>38,934,926</u>	<u>38,491,297</u>
Invested cash	<u>303,675</u>	<u>502,840</u>
Market value at end of year	<u>£39,238,601</u>	<u>£38,994,137</u>
Historic cost at end of year	<u>£36,592,689</u>	<u>£35,452,880</u>

Additions and disposals include transactions associated with switching between funds and asset classes as well as overall withdrawals from and additions to the Trust's total investments.

The whole portfolio was invested through UK based investment operations. All investments are either listed on recognised stock exchanges or are valued by reference to such investments.

The Trust's investments are comprised of the following:

	2018 £	2017 £
Charity pooled investment funds	38,934,926	38,491,297
Cash	<u>303,675</u>	<u>502,840</u>
	<u>£39,238,601</u>	<u>£38,994,137</u>

b Net gains / (losses) on investments

	2018 £	2017 £
Realised gains on sale of investments	25,439	1,467,270
Unrealised gains / (losses) on revaluation of investments	<u>418,190</u>	<u>3,569,203</u>
Net gains / (losses) on investments reported in SOFA	<u>£ 443,629</u>	<u>£ 5,036,473</u>

c Investment Management Fees

The unrealised gain or loss on revaluation of investments is shown after the deduction of any fees charged direct to the fund. The total investment management fees for the year were £238,116 (2017: £190,832) which was all charged direct to the investment fund.

17 DEBTORS

	2018	2017
	£	£
Trade debtors	43,505	55,806
Prepayments	53,768	71,062
Accrued income	<u>289,251</u>	<u>205,913</u>
	<u>£ 386,524</u>	<u>£ 332,781</u>

18 CREDITORS (Amounts falling due within one year)

	2018	2017
	£	£
Trade creditors	70,948	39,838
Other taxation and social security	34,137	33,887
Other creditors	20,537	14,374
Accruals	70,199	48,661
Deferred income (note 19)	<u>10,313</u>	<u>24,418</u>
	<u>£ 206,134</u>	<u>£ 161,178</u>

19 DEFERRED INCOME

Deferred income comprises Pembroke House residents' fees invoiced in advance. In 2017 it also included income received in advance for the HMS Victory Dinner held in May 2017.

	2018	2017
	£	£
Balance at the start of the year	24,418	12,298
Amount released to income in the year	(24,418)	(12,298)
Amount deferred in the year	<u>10,313</u>	<u>24,418</u>
	<u>£ 10,313</u>	<u>£ 24,418</u>

20 MOVEMENTS IN FUNDS

	<i>Balance at 1 April 2017</i> £	Income and Gains £	Expenditure and Losses £	Transfers £	Balance at 31 March 2018 £
Endowment funds					
Royal Naval Fund	401,776	4,095	-	-	405,871
Chatham Depot Aid Fund	295,155	3,256	-	-	298,411
Mrs I Briggs for Regular Charitable Payments	155,069	1,609	-	-	156,678
Dame Elisabeth Kelly Fund	132,592	1,351	-	-	133,943
Sir John Langham Bequest	9,522	97	-	-	9,619
John Cornwell VC National Memorial	7,206	-	-	-	7,206
1939/45 Memorial Award Fund	8,677	95	-	-	8,772
	<u>£ 1,009,997</u>	<u>£ 10,503</u>	<u>£ -</u>	<u>£ -</u>	<u>£ 1,020,500</u>
Restricted funds (Grants & RCPs)					
Royal Naval Reserve Benevolent Fund	164,405	6,271	(6,063)	-	164,613
Royal Naval Fund – revenue	-	11,229	(11,229)	-	-
Chatham Depot Aid Fund – revenue	24,326	8,929	-	-	33,255
Mrs I Briggs – revenue	2,795	4,412	(5,460)	-	1,747
Dame Elisabeth Kelly Fund – revenue	-	3,706	(3,706)	-	-
Sir John Langham Bequest – revenue	-	266	(266)	-	-
1939/45 Memorial Award Fund – revenue	619	260	(500)	-	379
Greenwich Hospital Regular Charitable Payments	-	939,684	(1,000,312)	60,628	-
Greenwich Hospital Beneficiary Support Co-ordinator	-	10,000	-	(10,000)	-
RNRMC Naval Service Benevolence Fund	-	409,201	(409,201)	-	-
Barclays AFTER Fund	-	30,000	(30,000)	-	-
Submarine Memorial Fund	769	1,250	(1,974)	-	45
Durnford & Cawthan Trust	300	5,000	(5,000)	-	300
The Royal British Legion	-	10,000	-	(10,000)	-
The Royal Marines Charity	-	2,000	-	(2,000)	-
	<u>£ 193,214</u>	<u>£ 1,442,208</u>	<u>£ (1,473,711)</u>	<u>£ 38,628</u>	<u>£ 200,339</u>
Restricted Funds (Care home & almshouse)					
PH Amenities Fund	67,470	23,409	(36,806)	(6,877)	47,196
PH Residents' Support Fund	941,772	125,920	-	(112,500)	955,192
PH Redevelopment Fund	816,816	-	(10,385)	-	806,431
PH Projects Fund	37,279	65,605	(26,436)	(22,553)	53,895
John Cornwell VC National Memorial	273,247	38,170	(25,686)	-	285,731
RNRMC Grant for Pembroke House	-	71,610	-	(71,610)	-
	<u>£ 2,136,584</u>	<u>£ 324,714</u>	<u>£ (99,313)</u>	<u>£ (213,540)</u>	<u>£ 2,148,444</u>
Total restricted funds	<u>£ 2,329,797</u>	<u>£ 1,766,922</u>	<u>£ (1,573,024)</u>	<u>£ (174,912)</u>	<u>£ 2,348,783</u>

	<i>Balance at 1 April 2017</i>	Income and Gains	Expenditure and Losses	Transfers	Balance at 31 March 2018
	£	£	£	£	£
Designated Funds					
Falklands Fund	3,068,393	117,031	(70,583)	-	3,114,841
Alan Brown Fund	44,459	1,696	(1,000)	-	45,155
Pembroke House Revenue Projects	-	-	(26,291)	26,291	-
	<u>£ 3,112,852</u>	<u>£ 118,727</u>	<u>£ (97,874)</u>	<u>£ 26,291</u>	<u>£ 3,159,996</u>
Total designated funds					
Total unrestricted funds	<u>£ 37,074,204</u>	<u>£ 3,721,510</u>	<u>£ (3,690,177)</u>	<u>£ 148,621</u>	<u>£ 37,254,158</u>
Total funds	<u>£ 43,526,850</u>	<u>£ 5,617,662</u>	<u>£ (5,361,075)</u>	<u>£ -</u>	<u>£ 43,783,437</u>

An explanation of the Transfers on Funds is given below:

- Greenwich Hospital Regular Charitable Payments (£60,628) relates to the allocation of overhead costs in support of the provision of Regular Charitable Payments.
- Greenwich Hospital Beneficiary Support Co-ordinator (£10,000) relates to the part funding of that post, the costs of which are included within unrestricted funds.
- The Royal British Legion (£10,000) relates to grant funding for the development of the committee room at Castaway House, the costs of which were capital expenditure and so accounted for as fixed asset additions rather than expensed through the SOFA.
- The Royal Marines Charity (£2,000) relates to a contribution towards grant awards.
- PH Amenities Fund (£6,877) relates to donations used to fund capital items which were accounted for as fixed asset additions rather than expensed through the SOFA.
- PH Residents' Support Fund (£112,500) is used to help offset the shortfall in funding for state funded residents.
- PH Projects Fund (£22,553) relates to grant funding from The Michael Uren Foundation towards capital projects which were accounted for as a fixed asset addition rather than expensed through the SOFA.
- RNRMC Grant for Pembroke House (£71,610) is a restricted grant for use at Pembroke House but not for specific purposes within the Home.
- Pembroke House Revenue Projects (£26,291) relates to the cost of Carpets (£10,758), First Floor Decoration (£12,400) and Dining Room Refurbishment (£3,133) which were all accounted for outside of unrestricted funds so as not to distort Pembroke House operating expenditure.

Purposes of restricted funds

Permanent endowment funds

Currently only the income arising from the investment of these funds can be spent for the stated purposes. There are two larger permanent endowment funds, the Royal Naval Fund and the Chatham Depot Aid Fund. The Royal Naval Fund was instituted in 1892 and provides assistance for widows and other dependent relatives of ex-serving personnel. The Chatham Depot Aid Fund was created in 1920 and provides assistance for eligible beneficiaries who were based at Chatham.

Five smaller permanent endowment funds were set up more recently. Of these, the Mrs Ina Briggs Fund provides income for additional RCPs and the Dame Elisabeth Kelly Fund produces income for housing assistance for serving personnel. In addition, on 6 February 2008 the Royal Naval Benevolent Trust became the

sole trustee of the John Cornwell VC National Memorial, which comprises a six unit almshouse in Hornchurch, Essex. The original endowment has been included in permanent endowment funds.

Restricted funds

These funds are all expendable for specific purposes (both income and capital); other restricted funds generally receive and spend income during each year for specific purposes. The largest source of income is a regular grant from Greenwich Hospital, which funds Regular Charitable Payments of between £21 and £30 per week to eligible beneficiaries. The Royal Naval Reserve Benevolent Fund transferred its assets to RNBT in 2016/17. This is held as a restricted fund for the purpose of providing assistance to Reservists and their dependents. Income is also received from various submarine service related organisations into the Submarine Memorial Fund (for serving and ex-serving submariners). The Durnford & Cawthran Trust provides income to assist beneficiaries aged 60 and over, with a naval connection, in the Portsmouth area. The Barclays AFTER (Armed Forces Transition Employment and Resettlement) Fund provides grants to individuals to assist with training and employment needs.

Regular donations are received for the Pembroke House Amenities Fund for the benefit of the residents. The Residents' Support Fund provides financial support for residents in respect of whom the standard accommodation fees cannot be met in full. The Pembroke House Redevelopment Fund was created from the grants and donations received to help fund the major redevelopment of the Home in 2000; the only expenditure on the Fund is the depreciation charge for the capital costs of the redevelopment.

As referred to above, the Royal Naval Benevolent Trust is the sole trustee of the John Cornwell VC National Memorial and the net assets, except those represented by the permanent endowment element, have been included under this heading.

Purposes of designated funds

The Falklands Fund was established as a restricted fund in 1992 to administer funds received on the winding-up of the South Atlantic Fund. In broad terms, its purpose is to assist dependants of serving personnel killed during, or as a result of, the Falklands conflict and to assist those injured. During 2003/04, under the terms of its governing document, the Falklands Fund was wound up. The Trustees transferred the assets immediately to a new designated fund of the same name. The original eligibility criteria have been widened to include beneficiaries who are South Atlantic Medal holders.

The Alan Brown Fund was established as a designated fund in 2013 from the receipt of a legacy. The purpose of the Fund is to support naval officers who also have rating service, where the individual's needs cannot be fully met from other sources.

The Pembroke House Revenue Projects designated fund was established in 2016/17. The purpose of the Fund is to separate out the costs of larger revenue projects, such as large scale decoration, so as not to distort the operating costs of Pembroke House. A transfer from the Trust's unrestricted funds has been made to balance out the expenditure and therefore there is a nil balance on the Fund at the end of the year.

21 **COMPARATIVES FOR MOVEMENTS IN FUNDS**
For the year ended 31 March 2017

Accounting standards require the disclosure of the previous year's figures for the Movements in Funds. Explanations for last year's movements in funds may be found in Note 20 of the 2016/17 Annual Report & Accounts (available on the RNBT website).

	<i>Balance at 1 April 2016</i>	Income and Gains	Expenditure and Losses	Transfers	Balance at 31 March 2017
	£	£	£	£	£
Endowment funds					
Royal Naval Fund	355,059	46,717	-	-	401,776
Chatham Depot Aid Fund	258,696	36,459	-	-	295,155
Mrs I Briggs for Regular Charitable Payments	136,586	18,483	-	-	155,069
Dame Elisabeth Kelly Fund	116,440	16,152	-	-	132,592
Sir John Langham Bequest	8,415	1,107	-	-	9,522
John Cornwell VC National Memorial	7,206	-	-	-	7,206
1939/45 Memorial Award Fund	7,616	1,061	-	-	8,677
	<u>£ 890,018</u>	<u>£ 119,979</u>	<u>£ -</u>	<u>£ -</u>	<u>£ 1,009,997</u>
Restricted funds (Grants & RCPs)					
Royal Naval Reserve Benevolent Fund	-	167,385	(2,980)	-	164,405
Royal Naval Fund – revenue	-	7,589	(7,589)	-	-
Chatham Depot Aid Fund – revenue	18,403	5,923	-	-	24,326
Mrs I Briggs – revenue	3,888	3,002	(4,095)	-	2,795
Dame Elisabeth Kelly Fund – revenue	6,323	2,624	(8,947)	-	-
Sir John Langham Bequest – revenue	-	180	(180)	-	-
1939/45 Memorial Award Fund – revenue	447	172	-	-	619
Greenwich Hospital Regular Charitable Payments	-	958,860	(1,014,411)	55,551	-
Greenwich Hospital Beneficiary Support Co-ordinator	-	10,000	-	(10,000)	-
RNRMC Naval Service Benevolence Fund	-	638,524	(638,524)	-	-
Barclays AFTER Fund	-	30,000	(30,000)	-	-
Submarine Memorial Fund	-	4,735	(3,966)	-	769
Durnford & Cawthan Trust	-	5,000	(4,700)	-	300
	<u>£ 29,061</u>	<u>£ 1,833,994</u>	<u>£ (1,715,392)</u>	<u>£ 45,551</u>	<u>£ 193,214</u>

	<i>Balance at 1 April 2016</i>	Income and Gains	Expenditure and Losses	Transfers	Balance at 31 March 2017
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	£	£	£	£	£
Restricted Funds (Care home & alms-house)					
PH Amenities Fund	67,512	31,911	(29,840)	(2,113)	67,470
PH Residents' Support Fund	912,246	139,526	-	(110,000)	941,772
PH Redevelopment Fund	827,201	-	(10,385)	-	816,816
PH Projects Fund	50,635	26,010	(3,366)	(36,000)	37,279
John Cornwell VC National Memorial	<u>230,170</u>	<u>65,691</u>	<u>(22,614)</u>	<u>-</u>	<u>273,247</u>
	<u>£ 2,087,764</u>	<u>£ 263,138</u>	<u>£ (66,205)</u>	<u>£ (148,113)</u>	<u>£ 2,136,584</u>
Total restricted funds	<u>£ 2,116,825</u>	<u>£ 2,097,132</u>	<u>£ (1,781,598)</u>	<u>£ (102,562)</u>	<u>£ 2,329,797</u>
Designated Funds					
Falklands Fund	2,737,074	418,630	(87,311)	-	3,068,393
Alan Brown Fund	38,561	5,898	-	-	44,459
Pembroke House Revenue Projects	<u>-</u>	<u>-</u>	<u>(79,156)</u>	<u>79,156</u>	<u>-</u>
Total designated funds	<u>£ 2,775,635</u>	<u>£ 424,528</u>	<u>£ (166,467)</u>	<u>£ 79,156</u>	<u>£ 3,112,852</u>
Total unrestricted funds	<u>£ 32,496,023</u>	<u>£ 7,950,837</u>	<u>£ (3,396,062)</u>	<u>£ 23,406</u>	<u>£ 37,074,204</u>
Total funds	<u>£ 38,278,501</u>	<u>£ 10,592,476</u>	<u>£ (5,344,127)</u>	<u>£ -</u>	<u>£ 43,526,850</u>

22 RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018 £	2017 £
Net income for the reporting period (as per the statement of financial activities)	256,587	5,248,349
Depreciation charges	163,266	154,450
Gains on investments	(443,629)	(5,036,473)
Dividends, interest and rent from investments	(1,197,519)	(805,147)
Profit on the disposal of fixed assets	-	(5,240)
Decrease / (increase) in stock	2,687	(3,279)
(Increase) / decrease in debtors	(53,743)	316,870
Increase / (decrease) in creditors	<u>44,956</u>	<u>(63,274)</u>
Net cash used in operating activities	<u>£(1,227,395)</u>	<u>£ (193,744)</u>

23 ANALYSIS OF CASH AND CASH EQUIVALENTS

	At 1 April 2017 £	Cash flows £	At 31 March 2018 £
Bank and cash balances	125,522	(31,450)	94,072
Short term investments	<u>502,840</u>	<u>(199,165)</u>	<u>303,675</u>
Total cash and cash equivalents	<u>£ 628,362</u>	<u>£ (230,615)</u>	<u>£ 397,747</u>

24 OBLIGATIONS UNDER OPERATING LEASES

	2018 £	2017 £
The total of future minimum lease payments on equipment operating leases expiring:		
Within one year	9,706	10,332
In two to five years	<u>9,706</u>	<u>19,800</u>
Total obligations under operating leases	<u>£ 19,412</u>	<u>£ 30,132</u>

25 CAPITAL COMMITMENTS

There were no capital commitments at the year-end.