

# THE ROYAL NAVAL BENEVOLENT TRUST

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



**REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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## TRUST INFORMATION

1 Apr '09 – 31 Mar '10

### Patron

His Royal Highness The Prince of Wales KG KT GCB OM

### Vice Patrons

Lieutenant General Sir Steuart Pringle Bt KCB DSc  
K J Pritchard CB MA  
J W S Thompson MBE BEM

### President

Vice Admiral Sir Fabian Malbon KBE

### Trustees

#### Vice President & Honorary Treasurer

P A Shuttleworth MBE

#### Chairman

Commodore P W H Swan Royal Navy

#### Trustees

Admiral Sir Mark Stanhope KCB OBE (until 8 Jul '09)  
Vice Admiral Sir Alan Massey KCB CBE ADC (until 8 Jul '09)  
Major General G S Robison (until 8 Jul '09)  
Commodore J B A Musters Royal Navy (until 9 Jun '09)  
Commodore A J B Cameron Royal Navy (from 10 Jun '09)  
Corporal P Barnes Royal Marines  
C L M Davis (from 16 Sep '09)  
N Gartside CFA (from 16 Sep '09)  
Warrant Officer (1) J Halford  
K Lambert BEM  
Captain T Martin Royal Navy (from 16 Sep '09)  
Chief Petty Officer J McCafferty  
J Moulson MBE  
Petty Officer J Rayner  
P G Scoffield  
O W Shread  
C C A Siddall  
Commodore S J Woodcock OBE Royal Navy (from 16 Sep '09)

### Executive Staff

#### Chief Executive

Commander S P Farrington QGM Royal Navy

#### Financial Controller

P Schofield MA ACMA

#### Home Manager, Pembroke House

Mrs J Trembeth RGN

#### Registered Office

Castaway House, 311 Twyford Avenue, PORTSMOUTH  
PO2 8RN

#### Auditors

Horwath Clark Whitehill LLP  
Aquis House, 49-51 Blagrove Street, READING  
RG1 1PL

#### Investment Managers

BlackRock Investment Managers (UK) Limited  
33 King William Street, LONDON  
EC4A 9AS

Schroders & Co Limited  
31 Gresham Street, LONDON  
EC2V 7ER

#### Bankers

Barclays Bank plc  
PO Box 6, PORTSMOUTH  
PO6 3DH

#### Solicitors

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

## TRUSTEES' REPORT

### 1. STRATEGY AND OBJECTIVES

The Royal Naval Benevolent Trust (Grand Fleet and Kindred Funds) was established by Royal Charter on 2 May 1922. It is a registered charity (No. 206243). The Trust's Primary Beneficial Objects are 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.
- Annuities providing a regular financial supplement to older 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 at Hornchurch, Essex for which the RNBT is the sole trustee.
- Grants to selected organisations that provide support to members of the RNBT Family.
- Advice on welfare and allied matters.

The Trust's medium to long-term strategy is:

- To maintain and develop an effective organisation for the delivery of financial support to meet the wide ranging needs of the Trust's beneficiaries.
- To continue to provide, and if possible increase, facilities for the care of older people.
- To promote ever increasing awareness of the RNBT among the Trust's beneficiary group and potential supporters.
- To seek ways of enhancing the overall effectiveness of benevolence in general and particularly within the naval arena by working more closely with other Service charities.
- To increase income through growth in existing sources and by identifying new ones.

The Trust's objectives for 2009/10 were:

- To continue to satisfy from the Trust's own resources and in conjunction with other charities the needs of eligible applicants assessed as requiring financial assistance, i.e. the relief of poverty, subject to the Trust's grants policy - **ACHIEVED**
- To continue to meet and where possible exceed all care standards at our care home, Pembroke House - **ACHIEVED**
- To achieve average occupancy at Pembroke House in excess of 96% - **NOT ACHIEVED** – actual occupancy in year was 94%
- To maintain and improve where necessary the material condition of the properties that comprise 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 of the naval charities for the care of older people – **IN PROGRESS**.
- To broaden the Trust's public relations and identify further means of generating income – **IN PROGRESS**, especially with regard to increasing legacy income by 5% over budget – **NOT ACHIEVED**
- To complete the review and update of the Trust's Bye-laws - **ACHIEVED**
- To promote the rationalisation of naval charities where change would be in the best interests of the RNBT Family - **IN PROGRESS**
- To further promote awareness of the Trust within the active service community with the specific aim of increasing the number of uniformed volunteers – **ACHIEVED** but more to be done.
- To complete the wind-up of the Trust's Final Salary Pension Scheme – **IN PROGRESS**

In summary, all objectives have either been met or are in progress as indicated other than the occupancy rate for Pembroke House and increasing legacy income; strategies are in place to address both these shortfalls.

## 2. GOVERNANCE

Governance for the Trust is delivered through the Central Committee that comprises the Chairman, the Vice President (also the Honorary Treasurer) and the Trustees of the RNBT. The President is not a trustee in law.

The structure for 3 standing sub committees (Finance and General Purposes, Care of Older People and Salaries and Benefits) continues to operate most successfully with a good cross section of trustee representation and competences in each committee. Committee quorums comprise a majority of Ordinary Members in keeping with the Trust's founding principles.

The Bye-laws were re-written in the wake of the revised Royal Charter (approved 8 Jul '09) and following scrutiny by the Trust's charity law specialists (Blake Laphorn) were approved unanimously by the Central Committee 17 Mar '10. The principal change introduced by the Bye-laws in governance terms was to remove the process whereby the former Area Committee structure nominated 4 from among their number to be the Ordinary Member trustees for a period of 12 months. This has been replaced with the system already in place for the selection and election of trustees other than those classed as Ordinary Members. All trustee terms are now for 3 years duration other than the Vice President whose (renewable) term is for one year. Elections will be held periodically and at such frequency such that a turnover of trustees is achieved while maintaining corporate knowledge. Candidates will compete for places and be elected based on their individual competences. Gatherings of Trust supporters in geographical areas of choice remains very much part of the

trustees desire with the aim of representing and promoting the RNBT and its activities within their areas. It is anticipated that such volunteers will aspire to operate at a higher level within the Trust including standing for trustee election as the opportunity allows. Other than in Portsmouth, that enjoys the regularity of twice weekly Grant Committee meetings to act as a focus for volunteer effort, there is little evidence of volunteer activity in other parts of the country, however, the election of new trustees coupled with the newly created post of Events and Publicity Officer provide opportunities to regenerate interest in the Trust's work in areas other than Portsmouth.

Up until the approval of the revisions to the Royal Charter, 3 of the Governors were ex-officio by virtue of their senior Royal Naval appointments with the other Governor (entitled the Admiralty Governor) and the President, retired senior officers appointed by the Admiralty Board for a (renewable) term of 3 years. The review of the Royal Charter removed the ex-officio posts in favour of a trustee body that is fully engaged in the governance of the Trust. The Trust continues to enjoy the services of a former president as Chairman of the Central Committee and this post has now been formalised with the adoption of the revised Royal Charter. The revision to the Royal Charter allows for up to 3 specialist trustees and a senior serving RN/RM officer on the Central Committee. These posts have all been filled with specialists comprising one each in finance and investment, the care of older people and social work/services. The Vice President and the remaining trustees are Royal Naval or Royal Marines personnel who are serving or have served as Warrant Officers and below and are known as Ordinary Member Trustees. The Central Committee elects the Vice President annually from the body of Ordinary Member trustees. Ordinary Member trustee elections will be held in the summer of 2010 with the positions advertised widely within the serving and retired RN & RM populations. It is anticipated there will be keen competition for trustee posts between existing Ordinary Member trustees standing for re-election and new applicants. The desired and expected outcome of these changes to the governance structure is a strengthening of competence among the trustee body leading to stronger focus on the RNBT's business including looking towards the future of the Trust.

The revisions to the Royal Charter meant that the Trust said goodbye to its ex-officio Governors – Admiral Sir Mark Stanhope, Vice Admiral Sir Alan Massey and Major General Gary Robison in July 2009. In addition, Commodore John Musters stood down after 7 years in post as Admiralty Governor at about the same time. In their place, The Trust welcomed Commodore Andrew Cameron as the new Admiralty Governor, Commodore Jonathan Woodcock in the new post of Senior Serving Officer Trustee along with Mrs Carole Davis, Nick Gartside and Captain Tim Martin as Specialist Trustees. The best wishes and thanks of the Trust go to our former governors and welcome in equal measure is extended to the new trustees.

Vice Admiral Sir Fabian Malbon completed his second year as President in October 2009 and has already indicated his willingness to serve for a second 3-year term. The changes to the Royal Charter mean that the President's role is representative, supportive and guiding. Phillip Shuttleworth remains the Vice President having taken up post in January 2009. He left the Royal Marines in December 2009 after nearly 38 years service and the Trust was especially pleased to see him appointed MBE in the 2009 Birthday Honours List.

The day-to-day management of the affairs of the Trust is delegated to the Chief Executive who runs a staff of 9 full time equivalents employed on duties concerned with administration, finance, grants and public relations at the Head Office in Portsmouth. The Trust employs a staff of about 58 full time equivalents at its care home, Pembroke House, Gillingham, Kent under a dedicated Home Manager who reports to the Chief Executive.

### **3. REVIEW OF ACTIVITIES**

#### **3.1 Grants and Annuities**

The Trust's charitable objectives may be summed up as helping members of the RNBT Family when they find themselves in need or distress. The disbursement of this help is through the Trust's Grants Committee, an all-volunteer group who are themselves part of the RNBT Family. The Committee, supported by a small grant administration team, pride themselves on the flexibility and speed of response of the Trust's grants and annuities systems in achieving this aim. The Trust spent nearly £2.4 million on grants and annuities to help almost 4,200 families with many different problems in 2009/10.

### **3.1.1 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, child care, 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 of 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.

During 2009/10 the number of applications for grants rose by nearly 500 over the previous year to 3,524. Despite this there was a decrease in the total expenditure on grants to individuals in the year. Overall, the average grant was £372 (£590 last year) and within the individual categories of need, grants ranged from an average of £140 (telephone) to £739 (funerals). This reduction in both individual sums granted and the overall expenditure is as a result of the Trust setting a cost neutral budget for 2009/10. The needs of the Trust's beneficiaries have continued to be met by very effective almonising and through the hard work of the Grant Administrators seeking out other sources of funding and the particularly rigorous pursuit of state benefits where applicable.

The medical and dental category was once again the largest in both the number of cases and total expenditure. The Trust believes that swift assistance should be given to those with disabilities where special equipment is required. In many cases, financial assistance was provided where there would otherwise have been a long and unacceptable wait for funding from the statutory authorities to which the individual was entitled.

### **3.1.2 Annuities**

As well as grants to individuals, the Trust administers an annuities scheme. This scheme provides a modest level of regular financial support to older people on very 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. The Trust administered 1,300 annuities at £12.00 per week generously funded by Greenwich Hospital and 5 by the Mrs Ina Briggs Trust Fund during 2009/10. A review of this funding level took place in-year and through the generosity of Greenwich Hospital, the sum is increased to £15.00 per week w.e.f. from 1 April 2010, however, the numbers involved have been reduced to 1,200 per annum to ensure the available funds are targeted at the most needy. It is hoped that as more funds from Greenwich Hospital come on stream that the numbers of annuities may be increased along with a review of the sum granted in 2 - 3 years time.

### **3.1.3 The Grant Process**

Grants and annuities are administered in Portsmouth. Applications for assistance are usually submitted through the case-working organisations i.e. SSAFA Forces Help, The Royal British Legion, the Royal Commonwealth Ex-Services League, the Naval Personal and Family Service and Royal Marines Welfare and the Trust's own fully trained case-workers. On receipt of such requests, the RNBT Grant Administrators vet the applications, liaising with other charities if appropriate before referring them to the Grants Committee for a decision. A fundamental principle of the RNBT has always been that 3 RNBT committee members who are themselves serving or ex-serving RN ratings or RM other ranks i.e. members of the RNBT Family must make the decision in every case. The Grants Committee meets twice a week (other than on public holidays) to consider applications and they do so with a blend of understanding and compassion, tempered with much common sense. The Trust takes particular pride in its speed of response in helping the RNBT Family that is the envy of most other Service charities. It should however be remembered that the frequency of meetings is dictated by the volume of cases and it is perhaps a source of sadness in our so-called 'developed society' that the Trust continues to deal with 80-90 cases per week.

## **3.2 Care of Older People**

The Trust has continued with its policy of seeking further ways of caring for older people through involvement with the Maritime Charities Funding Group's (MCFG) Accommodation Sub-Committee that seeks to quantify the needs of older seafarers in accommodation terms. This work is progressing steadily and did seek, among its wider aims, to inform an ambitious project to convert the former Royal Naval Hospital, Haslar into a seafaring veterans village – along similar lines to the world-renowned Chelsea Hospital. Unfortunately this vision will not now be realised however the work of the sub-committee remains valid in addressing accommodation needs within existing residential 'stock' as well as informing future developments. Some preliminary work was conducted by the Royal Navy & Royal Marines Charity (RNRMC) early in 2008 on possible ways ahead for meeting the needs of older Royal Naval personnel and it is hoped that this may continue with a view to developing a single service strategy that will be complimentary to the MCFG's work.

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 providing management oversight for Pembroke House, the Trust's Care & Nursing Home and the John Cornwell VC National Memorial Almshouse. The committee has recently been strengthened with the addition of Mrs Carole Davis (former Home Manager at Pembroke House) as the specialist trustee in these matters.

### **3.2.1 Pembroke House**

The home provides nursing and personal care for up to 50 residents who share a common bond as members of the RNBT Family. The Home was originally built as an orphanage in the 1920s and was first taken over by the RNBT as a residential home in 1952. It changed little from then until the turn of the millennium when it was substantially extended and modernised to become the fine care home that it is today.

This year the home has continued to operate successfully and been further improved and updated including internal decoration and upkeep of the grounds by RN working parties from HM Ships RALEIGH & CHATHAM. The Home once again achieved the highest award available (3\*) from the Care Quality Commission – the successor organisation to the Commission for Social Care Inspection (CSCI). Unfortunately the Home did not achieve the target rate for occupancy despite the constancy of effort by the management team and a waiting list of about 80 in number because of a far higher than average turnover of residents than has been the case in recent years to date.

The Home has thrived under the skilful leadership and management of Mrs Jo Trembeth in her first full year as Home Manager. Mrs Carole Davis, Mrs Trembeth's predecessor, became a Friend of Pembroke House on leaving post, continuing to add value to the Home in a voluntary capacity and was elected onto the Trust's Board of Trustees in September 2009 as a care of older people specialist. These appointments reflect well on the close working relationship between past and present staff and are clear indicators as to why the Home operates so smoothly and efficiently. The delegation of budgetary control has continued to deliver positive results with taut control exercised at budget manager level. Virtually all lines were held to or under budget. Notable exceptions were energy costs – due to the extremely harsh winter and income levels – due to a higher than average turnover of residents resulting in less than average occupancy and a variation in the residential/nursing mix against budget assumptions.

The home has continued with its "self-help" policy under the Home Manager's leadership with the total support of her management team. The Home enjoys a full programme of events all of which have a social aspect for the participation and enjoyment of residents, staff and supporters alike while generating income for improvement projects. The first (Annual) Garden Party was held in the summer of 2009 and that has now become a permanent feature of the diary with the 2010 serial featuring a band of Her Majesty's Royal Marines.

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 that is normally divided by folding partitions into two lounge areas and a bar. This flexible arrangement allows for concurrent activities to be conducted without conflict.

There are two conservatories on the first floor with balconies overlooking the gardens providing easy access to the fresh air and open aspect views for residents who might have difficulty in getting about. The first floor also enjoys a library and a further day room. The top floor features a large lounge known as "The Bridge" with fine 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 lift to the modern kitchen. The home is surrounded by its own landscaped gardens with a number of sitting out areas and opportunities for the residents who wish to enjoy gardening. These facilities include the provision of a large level access greenhouse, wheelchair accessible nursery beds to harden off greenhouse produced plants before they move to the borders and a modest putting area within the walled garden.

### **3.2.2 Pembroke House – the People**

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, the residents' families and the home's many supporters. They all have an important role to play in making the home a unique place with a very special atmosphere. It is worth remembering that Pembroke House is the only care and nursing home in the world that caters exclusively for those who served in the RN and their wives/widows. The demand for places especially by those needing higher levels of care remains high; up to 20 residents can be catered for who require full nursing and 30 whose needs are at the more limited level of personal care.

The Home Manager is responsible for the overall management of Pembroke House. She is ably assisted by her Deputy and the Administration Manager who between them lead a large staff and together make a strong and dedicated team. 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. A salary review carried out at the end of 2007 showed the Trust to be largely compliant with this policy. Training is afforded a high priority. As well as ensuring that staff are fully qualified for their roles, training is vitally important for personal development and job satisfaction. These policies continue to prove effective in generating capable and caring staff with a low turnover that minimises disruption to the residents. Staff skill-sets have been further broadened e.g. low-level chiropody services to raise the level of in-house care provided while reducing the overheads associated with 'buying-in' such services.

### **3.2.3 Pembroke House - Activities**

A special feature of the Home has always been the range of outings, functions and in-house activities offered to the residents. 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 a Royal Garden Party at Buckingham Palace and a Christmas Party at St James's Palace, both arranged by the Not Forgotten Association and further visits to the Prince of Wales' gardens at Highgrove. 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, in addition, centre court seats at Wimbledon provided by the All England Lawn Tennis Club once again made a special day out in the summer.

The Home has its own activities coordinator who arranges a comprehensive programme of local outings and in-house activities such as handicrafts, music and movement, bingo and a very popular weekly quiz all of which are supported by and in some cases run by the Friends of Pembroke House volunteers. The Trust is especially indebted to the Royal Naval Association who generously provided a fully equipped mini-bus for outings as well as a smaller, wheel chair capable vehicle to cater for the needs of individual residents, indeed, the Home could not operate effectively without these vehicles and the Trust looks forward to the long standing and highly valued relationship with the RNA continuing far into the future.

### **3.2.4 Pembroke House - Projects**

The Home is maintained at a high standard with maximum use being made of gardening staff who are employed on internal painting and decorating tasks during inclement weather under the close supervision of the Administration Manager assisted by the handy-man/driver. This redeployment of manpower keeps cost down, contributes to the skill sets of the gardening team and generates a closer sense of Home ownership. Projects have included the refurbishment of the sluice rooms and a new air-conditioning unit for the first floor dispensary, redecorating the lounges and bar area using a combination of self help, uniformed personnel (HM Ships CHATHAM & RALEIGH) and, where required, specialist labour. In addition, new furniture was procured for the Bridge along with replacements for the tractor mower and other worn-out garden machinery. The home has replaced similarly worn out items of furniture on a rolling basis while upgrading specialist beds to provide residents with the level of care necessary for their comfort and well-being. A particular feature this year has been the introduction of CARESYS, a bespoke Care Home computer based management system. The aim of introducing this system is to free senior staff (to a certain extent) from the 'tyranny of paper' that comes from the largely paper based systems that were in place to manage the needs of the residents and the running of the home. The system has the added advantage of being 'server' based allowing remote access by those with the appropriate permissions, notably, the head office team who are able to access resident and staff details for accounting and statistical purposes. The home remains in good repair and the Trust is most grateful to all those organisations that contributed both physically and financially to its well-being and in particular this year to Greenwich Hospital, the Medway Missions to Seaman, Trinity House and Seafarers UK.

### **3.3 The John Cornwell VC National Memorial (JCVCNM)**

The RNBT took over the JCVCNM as the sole trustee in February 2008. The 6-unit almshouse complex was built in Hornchurch, Essex following a public subscription to erect a permanent memorial to the memory of Boy Seaman John Cornwell VC who grew up in the area. The Administration Manager, Pembroke House oversees the operation of the Almshouse and the governance of the complex is delivered through the Care of Older People sub-committee. The 3-bedroom semi-detached properties have been brought up to a good state of repair and all are occupied. The Weekly Maintenance Charge (WMC) covers the outgoings and in addition, there is a maintenance fund that will allow for any major repairs or upgrading/modernisation as required. One resident moved during the year and a full refurbishment of the property was undertaken before the new residents moved in. The Trust gratefully acknowledges the effectiveness of advertising vacancies through the Royal Naval Association's periodic circulars that continues to contribute to full occupancy.

### **3.4 Financial Support to Other Organisations**

The Trust once again provided 3<sup>rd</sup> party support to its beneficiaries through selected organisations and this is considered an important aspect of the Trust's benevolent work. Such assistance not only directly supports the RNBT Family but also ensures the Trust is both recognised and respected within the wider charitable arena. It should be emphasised that such assistance is only provided on a per capita rate for each of the Trust's beneficiaries to whom the organisation provides assistance and is subject to a maximum figure for the year. Very occasionally favourable consideration may be given to a one off in-year application if funds allow. Financial support to other organisations is a small though important part of the Trust's benevolent activity as priority is given to helping individuals directly through the work of the Grants Committee.

### **3.5 Advice on Welfare Matters**

The Trust receives a constant stream of welfare related queries. Many of these are within the competence of the RNBT staff to answer but where this is not the case, the matter is referred to the appropriate agency. The Trust enjoys warm relations with the spectrum of agencies whose task it is to help those in need and distress.

## **4. FINANCIAL REVIEW**

The format of the Statement of Financial Activities (SOFA) is in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities published in 2005 by the Charity Commission (SORP 2005).

### **4.1 Incoming Resources**

The Trust depends on a variety of sources for funding, the principal ones being grants from the major grant making charities (in the RNBT's case these are Greenwich Hospital – whose monies are now distributed by the Royal Navy and Royal Marines Charity (RNRMC) and Seafarers UK), income from the Trust's investments, care home income and weekly maintenance charges for the Trust's almshouse, legacies, donations and the modest income that results from the Trust's own public relations activities that essentially covers PR costs. Overall, total incoming resources were down by £308,745, equivalent to a decrease on last year of 6.7%; the combined totals of donations, grants receivable, care home income and other income were up, whilst legacies and investment income were down. Donations were up on last year by £2,664. Many of the donations received were made in memory of loved ones and support from branches of the Royal Naval Association was once again as strong as it is welcome. Changes to the accounting protocols within the RNRMC have meant that identifying income from the Royal Navy's Voluntary Donations from Pay (VDP) scheme now combined with its successor charity payroll-giving scheme Sports, Amenities & Benevolence Scheme (SABS) is no longer possible or indeed necessary. This income is now combined with that previously identified as the Navy Block Grant. The combined sum is now referred to as RNRMC income and totalled £155,000 or 3.6% of the Trust's total income of £4.321M for 2009/10. The Trust is wholly supportive of the RN's charity payroll giving scheme – SABS and looks to the serving community to support naval benevolence through this scheme via the RNRMC. Legacy income was under budget this year however, the Trust remains extremely grateful to all those who remember the RNBT in their wills. The Financial Controller and newly recruited Events & Publicity Officer will work closely in the forthcoming year to develop and deliver strategies aimed at increasing the Trust's income from legacies.

Greenwich Hospital remains the very generous principal source of our funding with their substantial contribution towards the Trust's grants to individuals and in meeting the cost of 1,300 annuities totalling over £1 million. The Trust was also awarded funding totalling over £131,000 from Seafarers UK that went towards meeting the cost of making grants to individuals for mobility aids, stair lifts, riser recliner chairs and both capital projects and maintenance/repair work at Pembroke House.

Income from public relations events brought in slightly less than in 2008/09, however this is not viewed with concern given that the Trust is not a fundraising charity and activities undertaken in this area are geared to maintaining/raising the Trust's profile so that both the serving and retired communities are aware of the Trust's work. Income from investments fell but there were significant gains in overall investment values that mirrored those experienced in the markets at large.

Income from the Trust's care home, Pembroke House comes mainly from residents' fees paid either personally or by local authorities. In addition, a total of £188,970 was raised in the form of donations, grants, dividends and investment gains for specific activities and projects for the residents' benefit. Income from local authority funded residents (Medway in the main) has once again been less than the cost of the care provided despite considerable effort to elicit the full sums involved. While this is a national phenomenon, it does present the Trust with cash flow issues.

The John Cornwell VC National Memorial is self-financing through the Weekly Maintenance Charge (WMC) and its own (restricted) maintenance and improvement fund and enjoys full occupancy with others interested should vacancies occur. Eligibility for occupancy is restricted to those of the Trust's beneficiary group.

#### **4.2 Resources Expended**

The heading 'Costs of Generating Funds' covers the cost of public relations and investment management fees. This shows the total of all expenditure incurred in raising income for the Trust. The total was down on last year. The RNBT's main expenditure heading, 'Charitable activities,' is summarised in the Review of Activities above. The figures include staff and support costs incurred in running the main functions of grant giving and the care home. There was a decrease of 16% in total with the cost of outgoing grants (including overhead costs) and the cost of annuities; the total costs of Pembroke House were also lower than last year.

Further efficiencies were made at Pembroke House in several areas, especially in purchasing and staff costs but the cost of energy rose significantly for the third year running. Energy costs have been limited as far as possible through competitive tendering with the resultant 12-month contracts. While this has produced savings per unit volume, the volume has increased because of the harsh winter conditions. The third category of expenditure, 'Governance Costs,' incorporates the costs of trustees' meetings, administration directly involved in reporting to the trustees and the audit fees.

Pension costs included within Resources Expended are those associated with the Trust's defined contribution pension scheme. No costs have been included for the Trust's defined benefit i.e. Final Salary Pension Scheme (FSPS) that was closed to new joiners in 2003 with benefit accrual ceasing in December 2008 for existing scheme members. Work to fully wind-up the defined benefit scheme, that will include buying out the liability to the Trust, is ongoing. In year (employer) contributions to the scheme were not included in the 2009/10 budget because the trustees decided to buy-out the liability with a one-off payment, consequently, the in-year contributions of £196,805 represent a reduction in the scheme's liability and will reduce the final buy-out cost accordingly. These costs are included under "Net outgoing resources before transfers and FSPS contributions."

#### **4.3 Net Position**

Net outgoing resources of £4,460 were markedly lower than in the previous year (£269,034) and reflects well on the Trust setting and to all intents and purposes, achieving a cost neutral budget – with the notable exception of FSPS contributions as outlined above. Incoming and outgoing resources were lower in total than last year. The rise in the value of the Trust's largely equity based investments has resulted in unrealised gains; perturbations in the financial markets have not affected the Trust unduly because the Trust holds approximately 5% of its value in cash and consequently does not need to sell investment units for cash-flow purposes. The value of the remaining investments held at the year-end has risen, increasing the value of the portfolio by £5,947,295. This figure, plus the loss on sales of investments of £6,873 and the payments made towards reducing the FSPS is added to the net outgoing resources figure producing a positive net movement in funds of £5,739,157. The sale of investments noted above was necessary to improve the relative weighting of the portfolio in light of market developments and has resulted in an increase in both income and capital; year-end funds totalled £30,823,404.

#### **4.4 Investment Policies and Performance**

Approximately three quarters of the Trust's portfolio is invested in the Armed Forces Common Investment Fund managed by BlackRock Investment Management (UK) Ltd and is subject to a total return policy with the investment objective of achieving real growth in capital and income over the long term through investment, predominantly in equities. The balance is managed by Schroders & Co Ltd with a similar return objective. The performance of both sections of the portfolio was measured against targets set at 1% above benchmarks that are based on the relevant market indices. During the year the Armed Forces Common Investment Fund produced a total return of 37.0%; the composite benchmark returned 41.2%; investments with Schroders & Co Ltd. returned 22.4%; the composite index returned 22.5%.

#### **4.5 Policy on Reserves**

The RNBT does not have 'free' reserves in the sense that the Trust is able to re-deploy elements of its investments to fund either projects or cash flow. The Trust relies on investment income to fund programmed day-to-day expenditure in support of the Trust's primary charitable objective i.e. relieving need and distress through the making of grants to individuals, in short, the relief of poverty. The Trust could not deliver the help needed to support its vulnerable beneficiaries without its investment income. The Trust is therefore not at liberty to deploy invested funds elsewhere without incurring significant penalty to the delivery of its primary charitable objective. Indeed, the Trust effectively operated in deficit over many years in that overall expenditure was in excess of income due to the Trust's desire to fully meet the needs of its beneficiaries while taking on significant capital expenditure. This expenditure was undertaken with support from the Trust's principal grant makers (Greenwich Hospital & Seafarers UK), however, it still resulted in a net outflow of the Trust's capital worth of about 1% per annum in real terms over the past decade.

This overspend of Trust resources could not be allowed to continue if the Trust is to meet its charitable objectives into the foreseeable future. The trustees elected to set a cost neutral budget for FY 09/10 in recognition that the policy of previous years was unsustainable without an uplift in funding. Income from all sources remains under pressure although the Trust notes with anticipation that the RNRMC is looking to raise the grants it makes towards benevolence as a result of their fundraising activities. Irrespective of any such uplift, the Trust's investments will remain an essential source of income if programmed and ongoing expenditure profiles are to be met, especially in the current fiscal situation where the financial markets remain unsettled. It is therefore the case that the Trust does not have reserves to dispose of freely as defined in either SORP 2005 or Charity Commission guidance documents. Indeed if anything, the Trust looks to ways in which it can increase its net worth as an income safeguard so that it can continue to deliver its charitable objectives into the future.

#### **5. RISK MANAGEMENT**

The Trust regularly reviews the major strategic, financial and operational risks to which it may be exposed and maintains a risk register in line with recommended practice. The trustees are satisfied that systems are in place that will, under normal circumstances, mitigate the risks identified and the register is reviewed regularly with a formal annual review by the full trustee board.

#### **6. OTHER CHARITIES AND ORGANISATIONS**

The RNBT maintains links with many other service charities and organisations, with Greenwich Hospital, Seafarers UK and other funding organisations of particular importance to the Trust. The RNRMC is playing an increasingly important role in the Trust's funding both as a fundraiser in its own right and as the distribution agency for Greenwich Hospital funds along with increasingly assuming the overall communication role for naval charities. The Trust will continue to work closely with the RNRMC and kindred charities/organisations while maintaining and indeed enhancing its own brand and identity in the interests of the furtherance of the Trust's charitable objectives. An especially strong and professional relationship exists with the organisations that carry out casework to assess the needs of the Trust's beneficiaries and their essential support in this vital area of work is greatly appreciated. These organisations include SSAFA Forces Help, the Royal British Legion, the Royal Commonwealth Ex-Services League and the Naval Personal and Family Service and Royal Marines Welfare.

The co-location of RNBT, RN & RM Children's Fund, WRNS Benevolent Trust, Royal Sailors Rests, Naval, Military and Air Force Bible Society, Naval Families Federation, Regular Forces Employment Association (Portsmouth) and this year, the RN & RM Widows' Association at Castaway House provides cost effective delivery of not only charitable benefit but a wider range of help, all geared towards assisting serving and former members of the Naval Service. Castaway House enjoys a regular stream of visitors and where diaries allow, the visitors call on all the organisations therein to gain a better understanding of what it is that 'Castaway House' delivers.

Visitors leave with a warm feeling about how the naval community is collectively and individually served through good times and bad. The Trust is committed to this holistic approach and the provision of common services, at cost, to assist all those housed in Castaway House to utilise their time and money to deliver the maximum benefit to their respective beneficiary groups. The Trust also works in close harmony with the Royal Naval Association and is especially pleased at its relocation to Portsmouth. This close proximity facilitates better communication and the Trust looks forward to further cementing the already close bond that characterises our respective organisations.

The Trust liaises with a variety of organisations that comprise in the main (although not exclusively) the other service charities that share similar interests to the RNBT's in order to ensure that business is conducted in the most effective manner. The Trust belongs to various bodies, including the Confederation of British Service and Ex-Service Organisations (COBSEO), the Association of Charity Officers (ACO) and the National Council for Voluntary Organisations (NCVO) to maintain and strengthen the Trust's profile within the wider charitable community while contributing to improvements across the board through constructive dialogue and the sharing of best practice.

A particular strength again this year has been the Trust's full involvement with the COBSEO sponsored "Web Based Form A" project now commonly referred to as the "Casework Management System." The Trust has contributed at all levels with the project's development run by SSAFA Forces Help including hosting awareness and training seminars at Castaway House.

## **7. FUTURE PLANS**

The Trust's objectives for 2010/11 are:

- To continue to satisfy from the Trust's own resources and in conjunction with other charities the needs of eligible applicants assessed as requiring financial assistance, i.e. the relief of poverty, subject to the Trust's grants policy.
- To continue to meet and where possible exceed all care standards at our care home, Pembroke House.
- To achieve average occupancy at Pembroke House in excess of 96%.
- To maintain and improve where necessary the material condition of the properties that comprise the John Cornwell VC National Memorial and maintain full occupancy.
- To continue to work closely with kindred organisations in pursuit of expanding the capacity of the naval charities for the care of older people.
- To broaden the Trust's public relations and identify additional means of generating income by 5% over 2009/10 levels.
- To meet the Trust's income generation targets while safeguarding and where possible increasing the Trust's capital worth.
- To promote the rationalisation of naval charities where change would be in the best interests of the RNBT Family.
- To further promote awareness of the Trust within the active service community with the specific aim of increasing the number of uniformed volunteers.
- To complete the wind-up of the Trust's Final Salary Pension Scheme.

## **7.1 Grants and Annuities**

Grants and annuities have always been and remain the core business of the Trust and this is expected to continue for the foreseeable future. The indications are that the demand for grants to individuals will continue to grow and almonising efforts will need to be at least maintained at their current levels if the needs of our beneficiaries are to be met. The Trust is especially pleased to be able to increase the weekly annuity payments it makes on behalf of and through the generosity of Greenwich Hospital. The need in this area is especially notable and the Trust will look to increase the numbers of annuitants from 1,200 back to 1,300 - or more - if Greenwich Hospital funding allows. The key here is that annuity funding must be 'guaranteed' as any reduction in the sum granted would be very hard for the Trust's beneficiaries to bear.

## **7.2 Care of Older People**

Pembroke House is firmly established as a high quality care home and the demand for places is expected to remain for the foreseeable future. The Home is in good repair and the Trust continually seeks to achieve economies while maintaining the high standards and first class level of facility. Despite scrutinising and challenging the Home's running costs, it has not been possible to run it on a cost neutral basis. While this has not been helped by the high turnover of residents in-year, it is clear that without increasing income, the Home will remain a net drain on Trust resources. The only sustainable way of increasing income is to increase the number of residents. Early work indicates that 12 additional rooms will allow the Trust to 'balance the books' and detailed work will be undertaken in the forthcoming year to work up a viable business plan in this regard. In addition, the Home's boilers are approaching the end of their service life so the opportunity will be taken to improve the Home's 'green footprint' while replacing the existing set-up with a modern installation. Given the significant liability associated with buying out the Final Salary Pension Scheme, the Trust will need to look to 3<sup>rd</sup> party funding for the majority of the costs associated with these projects. In addition, the Trust will continue to look towards collaborative and creative opportunities to contribute to the wider care of its older beneficiaries that may include the wider naval or indeed seafaring community. Collaborative working with like-minded organisations is seen as the way ahead in arriving at both cost-effective and affordable solutions. The Trust is open-minded about how this might develop while remaining committed to contributing through expertise and possibly investment where viable and sustainable options in the provision of accommodation for older people are identified.

## **7.3 Governance**

A full review of the Trust's principal governance documents has been completed and the Trust has a revitalised Board of Trustees. The Trust will consider its future carefully while being conscious of its proud history and the importance of the RNBT's brand that has been established over many decades. The trustees are conscious that brand is a very important element in not only publicising the Trust's services but also in attracting income in the shape of legacies and donations. Any change in the Trust's governance through merger or other such moves must carry with it funding guarantees.

## **7.4 Public Benefit**

The Trust recognises the requirement under the Charities Act 2006 to address the issue of 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 regular payments (annuities) 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, at cost, of relief for those in need by reason of age, disability and/or financial hardship through the provision of its almshouse and care home.

In setting the Trust's objectives and in planning its activities, the Trustees have given careful consideration to the Charity Commission's published guidance on public benefit. The relief provided by the Trust 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 a clearly identified need i.e. the relief of poverty and if it were not for the Trust's intervention, the individuals concerned would suffer unacceptable hardship.

## 7.5 Rationalisation of Naval Charities

Dialogue continues about the possible rationalisation of naval charities under the umbrella of the now established RNRMC. Options have been discussed that include a federated structure that recognises the cost-effective delivery of benevolence on a daily basis by the independent and long standing naval charities. The RNRMC has made it clear that they have no desire, and we see no benefit, in either duplicating or replicating existing and clearly successful organisations. The Trust remains of the view that benevolence is a specialised field that does not sit easily alongside other interpretations of charitable activity including sports, amenities and prizes, while remaining positive and open minded about future developments. However, the Trust has yet to receive any substantive offer on which to base any decision about its future in respect of where the RNBT might see itself within the overall construct of the naval charitable arena although the trustees recognise the increasing profile of the RNRMC and look to see the evidence of its success as a fundraising charity, especially in terms of increasing the funds granted for naval benevolence purposes.

The Trust has long supported a closer union of those charities operating in the fields of benevolence. The Castaway House model is testament to this ideal. The Trust is similarly committed to maintaining close working relationships with all other charities both old and new. The RNBT's underpinning change philosophy is firmly bedded in the principles of value for money leading to better support for the RNBT Family. Any proposal for change based on these fundamental principles will be warmly received.

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



.....  
Chairman  
Commodore P W H Swan Royal Navy

15 September 2010

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under charity law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of its net result for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

The Trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charity's transactions and 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 1993. 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.

The Trustees are also responsible for the maintenance and integrity of the corporate and financial information on the charity's website.

## INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of The Royal Naval Benevolent Trust for the year ended 31 March 2010, which comprise the Statement of Financial Activities, Balance Sheet, Cash Flow Statement and related notes set out on pages 24 to 39. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trustees, as a body, in accordance with Section 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditors' 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 Trustees, as a body, for our audit work, for this report, or for the opinion we have formed.

### **Respective Responsibilities of Trustees and Auditors**

The Trustees' responsibilities for preparing the Trustees Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Trustees' Responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Trustees' Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Unqualified Opinion

In our opinion the financial statements: -

- give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Trust as at 31 March 2010 and of its incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

A handwritten signature in black ink that reads "Horwath Clark Whitehill LLP". The signature is written in a cursive, slightly slanted style.

**Horwath Clark Whitehill LLP**  
Statutory Auditor

Aquis House  
49-51 Blagrove Street  
READING  
Berkshire  
RG1 1PL

## STATEMENT OF FINANCIAL ACTIVITIES

	Note	Unrestricted Funds	Designated Funds	Restricted Funds	Endowment Funds	Total Funds 2010 £	Total Funds 2009 £
		£	£	£	£	£	£
<b>Incoming resources</b>							
<b>Incoming resources from generated funds</b>							
<b>Voluntary income</b>							
Donations and rebates	2	210,208	-	5,006	-	<b>215,214</b>	212,550
Legacies	2	322,973	-	-	-	<b>322,973</b>	627,055
Grants receivable	3	457,188	-	960,540	-	<b>1,417,728</b>	1,326,669
<b>Investment income</b>	4	829,149	101,494	24,733	-	<b>955,376</b>	1,106,178
<b>Incoming resources from charitable activities</b>							
Care home incoming resources	5	1,308,694	-	41,164	-	<b>1,349,858</b>	1,307,667
Other incoming resources	6	<u>35,586</u>	<u>-</u>	<u>24,054</u>	<u>-</u>	<b><u>59,640</u></b>	<u>49,415</u>
<b>Total incoming resources</b>		<u>3,163,798</u>	<u>101,494</u>	<u>1,055,497</u>	<u>-</u>	<b><u>4,320,789</u></b>	<u>4,629,534</u>
<b>Resources expended</b>							
<b>Costs of generating funds</b>							
Costs of generating voluntary income		165,611	-	1,555	-	<b>167,166</b>	179,068
Investment management costs		118,951	16,729	2,610	-	<b>138,290</b>	131,352
<b>Charitable activities</b>							
Grants to individuals and organisations		1,189,050	124,755	234,351	-	<b>1,548,156</b>	1,951,969
Annuities payable		-	-	865,993	-	<b>865,993</b>	884,344
Care home resources expended		1,439,474	-	103,641	-	<b>1,543,115</b>	1,688,311
<b>Governance costs</b>		<u>62,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>62,529</u></b>	<u>63,524</u>
<b>Total resources expended</b>	7	<u>2,975,615</u>	<u>141,484</u>	<u>1,208,150</u>	<u>-</u>	<b><u>4,325,249</u></b>	<u>4,898,568</u>

## STATEMENT OF FINANCIAL ACTIVITIES (Continued)

	Note	Unrestricted Funds	Designated Funds	Restricted Funds	Endowment Funds	Total Funds 2010	Total Funds 2009
		£	£	£	£	£	£
<b>Net outgoing resources before transfers and FSPS contributions</b>		188,183	(39,990)	(152,653)	-	<b>(4,460)</b>	<b>(269,034)</b>
Gross transfers between funds	15	(139,672)	20,716	118,956	-	-	-
Payments towards FSPS deficit	16b	<u>(196,805)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>(196,805)</u></b>	<b><u>(65,602)</u></b>
<b>Net outgoing resources before other recognised gains and losses</b>		(148,294)	(19,274)	(33,697)	-	<b>(201,265)</b>	<b>(334,636)</b>
<b>Other recognised gains and losses</b>							
Gains and losses on investments		<u>5,016,158</u>	<u>630,909</u>	<u>121,801</u>	<u>171,554</u>	<b><u>5,940,422</u></b>	<b><u>(6,964,988)</u></b>
<b>Net movement in funds</b>		<u>4,867,864</u>	<u>611,635</u>	<u>88,104</u>	<u>171,554</u>	<b><u>5,739,157</u></b>	<b><u>(7,299,624)</u></b>
<b>Reconciliation of funds</b>							
Balances brought forward		<u>21,524,187</u>	<u>1,690,827</u>	<u>1,306,491</u>	<u>562,742</u>	<b><u>25,084,247</u></b>	<b><u>32,383,871</u></b>
<b>Fund balances carried forward</b>		<b><u>£26,392,051</u></b>	<b><u>£ 2,302,462</u></b>	<b><u>£ 1,394,595</u></b>	<b><u>£ 734,296</u></b>	<b><u>£30,823,404</u></b>	<b><u>£25,084,247</u></b>

All operations are continuing.

FSPS = Final Salary Pension Scheme.

## BALANCE SHEET

	Note	Unrestricted Funds	Designated Funds	Restricted Funds	Endowment Funds	Total Funds 2010	Total Funds 2009
		£	£	£	£	£	£
<b>FIXED ASSETS</b>							
Tangible assets	11	2,247,189	-	890,630	7,206	<b>3,145,025</b>	3,262,562
Investments	12	<u>23,393,791</u>	<u>2,571,638</u>	<u>496,341</u>	<u>688,647</u>	<b><u>27,150,417</u></b>	<u>21,399,981</u>
		25,640,980	2,571,638	1,386,971	695,853	<b>30,295,442</b>	24,662,543
<b>CURRENT ASSETS</b>							
Stock		16,540	-	-	-	<b>16,540</b>	16,625
Debtors	13	437,259	-	-	-	<b>437,259</b>	533,200
Bank balances and cash		<u>459,551</u>	<u>(269,176)</u>	<u>7,624</u>	<u>38,443</u>	<b><u>236,442</u></b>	<u>69,864</u>
		913,350	(269,176)	7,624	38,443	<b>690,241</b>	619,689
<b>CREDITORS:</b> amounts falling due within one year	14	<u>(162,279)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>(162,279)</u></b>	<u>(197,985)</u>
<b>NET CURRENT ASSETS LESS CURRENT LIABILITIES</b>		<u>751,071</u>	<u>(269,176)</u>	<u>7,624</u>	<u>38,443</u>	<b><u>527,962</u></b>	<u>421,704</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		26,392,051	2,302,462	1,394,595	734,296	<b>30,823,404</b>	25,084,247
Pension scheme liability	16b	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>		<u><b>£26,392,051</b></u>	<u><b>£ 2,302,462</b></u>	<u><b>£ 1,394,595</b></u>	<u><b>£ 734,296</b></u>	<u><b>£30,823,404</b></u>	<u><b>£25,084,247</b></u>
<b>FUNDS</b>							
Unrestricted funds		25,392,051	-	-	-	<b>25,392,051</b>	20,324,187
Capital account		1,000,000	-	-	-	<b>1,000,000</b>	1,200,000
Designated funds	15	-	2,302,462	-	-	<b>2,302,462</b>	1,690,827
Restricted funds	15	-	-	1,394,595	-	<b>1,394,595</b>	1,306,491
Permanent endowment funds	15	<u>-</u>	<u>-</u>	<u>-</u>	<u>734,296</u>	<b><u>734,296</u></b>	<u>562,742</u>
<b>TOTAL FUNDS</b>		<u><b>£26,392,051</b></u>	<u><b>£ 2,302,462</b></u>	<u><b>£ 1,394,595</b></u>	<u><b>£ 734,296</b></u>	<u><b>£30,823,404</b></u>	<u><b>£25,084,247</b></u>

Approved and authorised by the Trustees on 15 September 2010 and signed on their behalf by



P A Shuttleworth - Honorary Treasurer

## CASH FLOW STATEMENT

	2010 £	2009 £
<b>Net cash outflow from operating activities</b>	<b>(1,011,598)</b>	<b>(1,485,090)</b>
<b>Returns on investments</b>		
Dividends and interest	945,839	1,015,546
Short term interest	9,537	90,632
Rent receivable & Weekly Maintenance Charges (JCVCNM)	<u>59,640</u>	<u>48,215</u>
	<b><u>1,015,016</u></b>	<b><u>1,154,393</u></b>
<b>Capital expenditure and financial investments</b>		
Purchase of tangible fixed assets	(26,911)	(73,782)
Purchase of investments	(833,485)	(267,080)
Sale of investments	<u>510,067</u>	<u>513,135</u>
<b>Net cash inflow from investing activities</b>	<b><u>(350,329)</u></b>	<b><u>172,273</u></b>
<b>Management of liquid resources</b>		
Decrease/(Increase) in short term investments	513,489	(29,937)
<b>NET (DECREASE)/INCREASE IN CASH</b>	<b><u>£ 166,578</u></b>	<b><u>£ (188,361)</u></b>
<b>RECONCILIATION OF NET OUTGOING RESOURCES FOR THE YEAR TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		
Net (outgoing) resources	(4,460)	(269,034)
Payments towards FSPS deficit	(196,805)	(65,602)
Less: investment income	<u>(1,015,016)</u>	<u>(1,154,393)</u>
	<b>(1,216,281)</b>	<b>(1,489,029)</b>
<b>Adjustment for non-cash items</b>		
Depreciation	144,448	139,496
Decrease/(Increase) in debtors	95,941	(28,439)
(Decrease)/Increase in creditors	<u>(35,706)</u>	<u>(105,222)</u>
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b><u>£(1,011,598)</u></b>	<b><u>£(1,485,090)</u></b>

### CASH FLOW STATEMENT (Continued)

	2010	2009	Change in year
	£	£	£
<b>Analysis of net cash balances</b>			
Bank and cash balances	236,442	69,864	166,578
Short term investments	<u>1,159,711</u>	<u>1,673,200</u>	<u>(513,489)</u>
<b>ANALYSIS OF NET CASH BALANCES</b>	<u><b>£1,396,153</b></u>	<u><b>£1,743,064</b></u>	<u><b>£ (346,911)</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### a) Basis of Preparation

The financial statements are prepared under the historical cost convention, modified for the revaluation of investments and in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities published in 2005 ('SORP 2005') and other applicable accounting standards.

#### b) Incoming Resources

##### i Voluntary income

###### *Donations, rebates and legacies*

All income from donations and legacies is accounted for on an accruals basis. This policy is applied to all legacy income where the amounts and timing of receipt can be accurately ascertained. Tax credits on income from legacies and on gift aid donations have also been recorded on an accruals basis.

###### *Grants receivable*

Grants receivable are given for specific purposes, either within unrestricted or restricted funds, and are accounted for in the period for which they were received.

##### ii Investment income

Investment income has been accounted for on an accruals basis, which includes dividends on stocks, and shares that were 'ex-dividend' on 31 March 2010. Dividends have been grossed-up by the amount of investment management fees deducted.

##### iii Incoming resources from charitable activities

Care home incoming resources comprise fees in respect of residents and grants receivable, both of which are accounted for on an accruals basis.

#### c) Resources expended

All expenditure is accounted for on an accruals basis.

##### i Costs of generating funds

This heading comprises direct costs relating to public relations activities a benefit of which can be in the generation of voluntary income. All publicity costs and support costs are allocated on the basis of staff activity.

**ii Investment management fees**

These are the gross costs charged by investment fund managers both before and after payments of dividends with allocated support costs.

**d) Charitable activities**

*Grants and annuities to individuals*

Grants and annuity payments to individuals are included when they are authorised by the relevant committee. These costs include the support costs incurred in managing the grants and annuities systems.

*Care home*

The direct operating costs of Pembroke House are included with the addition of support costs representing services provided by Headquarters.

**e) Governance costs**

These are the costs associated directly with management by the Trustees of the Trust's activities including audit fees and other costs of Trustees' meetings.

**f) Assets**

Individual fixed assets costing £500 or more are capitalised.

All properties and 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
Furniture, equipment & vehicles	-	between 10% and 20%
Computers	-	33%

The investment portfolio has been valued at market value as at 31 March 2010. The SOFA includes the net gains and losses on investments arising on revaluation at the year-end and on disposals throughout the year.

## **g) Funds**

The RNBT holds a number of Special Funds as detailed in Note 15. The application of these funds is restricted to the following purposes:

### *Permanent endowment funds*

Currently only the income arising from the investment of these funds can be expended 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.

Four smaller permanent endowment funds were set up more recently. Of these, the Mrs Ina Briggs Fund provides income for additional annuities 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 operates six almshouses in Hornchurch, Essex. The original endowment has been included in permanent endowment funds.

### *Restricted funds*

These funds are all expendable for specific purposes as to both income and any capital. Apart from two personal special funds, which are invested for individuals and their dependants, 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 funded 1,300 'Jellicoe' annuities paid in-year to retired eligible beneficiaries. Income is also received from Seafarers UK and the Submarine Memorial Fund (for serving and ex-serving submariners). Smaller grants for individuals are processed through the Individual Cases Account.

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 Projects Fund has also received donations, principally from the Medway Mission to Seamen Trust. As referred to above, the Royal Naval Benevolent Trust became 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.

### *Designated fund*

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 assets were immediately transferred 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.

### *Capital Account*

The capital account is the Trust's cash holding within its investment portfolio and is used to supplement the funds held immediately available (current & deposit accounts) for the day to day running of the Trust. This arrangement negates any requirement to liquidate equities to fund in-year expenses.

## h) Pensions Policy

The Trust operates a defined benefit pension scheme and the pension charge in relation to this scheme is based on a full actuarial valuation dated 6 April 2007, see further comments under Note 16. The Trust also operates a defined contribution pension scheme and the pension charge in relation to this scheme represents the amounts payable by the Trust and the members to the fund in respect of the year.

## 2. DONATIONS AND LEGACIES

A full list of donations and legacies is published in the Annual Review and recorded monthly on the Trust's website [www.rnbt.org.uk](http://www.rnbt.org.uk)

## 3. GRANTS RECEIVABLE

	<b>Unrestricted Funds £</b>	<b>Designated Funds £</b>	<b>Restricted Funds £</b>	<b>Endowment Funds £</b>	<b>Total 2010 £</b>	<b>Total 2009 £</b>
Greenwich Hospital	302,188	-	-	-	<b>302,188</b>	266,904
Seafarers UK	-	-	115,000	-	<b>115,000</b>	134,595
Other	-	-	20,000	-	<b>20,000</b>	-
Greenwich Hospital (Jellicoe annuities)	-	-	808,708	-	<b>808,708</b>	811,200
Individual cases	-	-	16,832	-	<b>16,832</b>	18,364
RNRMC	<u>155,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>155,000</u></b>	<u>95,606</u>
	<b><u>£ 457,188</u></b>	<b><u>£ -</u></b>	<b><u>£ 960,540</u></b>	<b><u>£ -</u></b>	<b><u>£1,417,728</u></b>	<b><u>£1,326,669</u></b>

The grant received from the RNRMC includes monies received via the RN's Charity Payroll Giving Schemes that includes Voluntary Donations from Pay, previously shown under Voluntary income.

## 4. INVESTMENT INCOME

	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Dividends and interest	819,612	101,494	24,733	-	<b>945,839</b>	1,015,546
Short term interest	<u>9,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>9,537</u></b>	<u>90,632</u>
	<b><u>£ 829,149</u></b>	<b><u>£ 101,494</u></b>	<b><u>£ 24,733</u></b>	<b><u>£ -</u></b>	<b><u>£955,376</u></b>	<b><u>£1,106,178</u></b>

**5. CARE HOME INCOMING RESOURCES – PEMBROKE HOUSE**

	£	£	£	£	£	£
Maintenance contributions	1,147,312	-	-	-	<b>1,147,312</b>	1,159,657
Grants receivable	161,382	-	-	-	<b>161,382</b>	104,623
Donations and investment income	-	-	41,164	-	<b>41,164</b>	43,387
	<u>£1,308,694</u>	<u>£ -</u>	<u>£ 41,164</u>	<u>£ -</u>	<b><u>£1,349,858</u></b>	<u>£1,307,667</u>

**6. OTHER INCOMING RESOURCES**

	<b>Unrestricted Funds £</b>	<b>Designated Funds £</b>	<b>Restricted Funds £</b>	<b>Endowment Funds £</b>	<b>Total 2010 £</b>	<b>Total 2009 £</b>
JCVCNM Weekly Maintenance Charge (WMC)	-	-	24,054	-	<b>24,054</b>	18,087
Rents receivable	34,511	-	-	-	<b>34,511</b>	30,128
Miscellaneous income	<u>1,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>1,075</u></b>	<u>1,200</u>
	<u>£ 35,586</u>	<u>£ -</u>	<u>£ 24,054</u>	<u>£ -</u>	<b><u>£ 59,640</u></b>	<u>£ 49,415</u>

**7. ANALYSIS OF TOTAL RESOURCES EXPENDED**

	<b>Staff costs £</b>	<b>Other direct costs £</b>	<b>Support costs £</b>	<b>Grants &amp; annuities £</b>	<b>Care Home £</b>	<b>Total 2010 £</b>	<b>Total 2009 £</b>
<b>Costs of generating voluntary income</b>							
Public Relations	107,114	-	60,052	-	-	167,166	179,068
Investment management fees	<u>12,816</u>	<u>119,150</u>	<u>6,324</u>	<u>-</u>	<u>-</u>	<u>138,290</u>	<u>131,352</u>
	<u>119,930</u>	<u>119,150</u>	<u>66,376</u>	<u>-</u>	<u>-</u>	<u>305,456</u>	<u>310,420</u>
<b>Charitable expenditure</b>							
Grants	174,836	-	52,087	1,321,233	-	1,548,156	1,981,766
Annuities	58,805	-	17,516	789,672	-	865,993	897,844
Care home resources expended	<u>1,079,829</u>	<u>-</u>	<u>51,945</u>	<u>-</u>	<u>411,341</u>	<u>1,543,115</u>	<u>1,710,616</u>
	<u>1,313,470</u>	<u>-</u>	<u>121,548</u>	<u>2,110,905</u>	<u>411,341</u>	<u>3,957,264</u>	<u>4,590,226</u>
<b>Governance</b>	<u>26,199</u>	<u>-</u>	<u>36,330</u>	<u>-</u>	<u>-</u>	<u>62,529</u>	<u>63,524</u>
	<u>£1,459,599</u>	<u>£ 119,150</u>	<u>£ 224,254</u>	<u>£2,110,905</u>	<u>£ 411,341</u>	<u>£4,325,249</u>	<u>£4,964,170</u>

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

**8. NET OUTGOING RESOURCES FOR THE YEAR**

This is stated after charging:-

	<b>2010 £</b>	<b>2009 £</b>
Depreciation	144,448	139,496
Auditors' remuneration	<u>11,339</u>	<u>11,673</u>

**9. REMUNERATION AND EXPENSES OF THE TRUSTEES**

	2010 £	2009 £
Remuneration	-	-
Travelling expenses	<u>3,346</u>	<u>4,334</u>
	<u>£ 3,346</u>	<u>£ 4,334</u>
Numbers being reimbursed	<u>13</u>	<u>17</u>

**10. EMPLOYEES**

	2010 £	2009 £
Salaries	1,215,647	1,219,127
National Insurance	94,373	84,945
Pension contributions	82,977	246,975
Other staff costs	<u>66,602</u>	<u>53,341</u>
	<u>£1,459,599</u>	<u>£1,604,388</u>
Average numbers (full time equivalent)		
Headquarters	10	10
Pembroke House	<u>58</u>	<u>60</u>
	<u>68</u>	<u>70</u>

No employees were paid a salary in excess of £60,000 during the year.

The RNBT operates a defined contribution pension scheme, into which the whole of the above pension contributions were paid including contributions in respect of nil higher paid employees (2009: NIL). The RNBT's defined benefit scheme was closed to new members in January 2003 and is in the process of being wound-up; it was replaced by the above defined contribution scheme. Payments of £196,805 (2009: £65,602) were made in the year towards reducing the deficit on the defined benefit scheme.

## 11. TANGIBLE FIXED ASSETS

	Freehold properties £	Furniture & equipment & vehicles £	Total £
<b>COST</b>			
At 1 April 2009	3,718,321	618,773	4,337,094
Additions	4,243	22,668	26,911
Disposals	-	-	-
	<u>3,722,564</u>	<u>641,441</u>	<u>4,364,005</u>
At 31 March 2010			
<b>DEPRECIATION</b>			
At 1 April 2009	663,316	411,216	1,074,532
Charge for the year	62,794	81,654	144,448
Disposals	-	-	-
	<u>726,110</u>	<u>492,870</u>	<u>1,218,980</u>
At 31 March 2010			
<b>NET BOOK VALUE</b>			
<b>At 31 March 2010</b>	<b><u>£2,996,454</u></b>	<b><u>£ 148,571</u></b>	<b><u>£3,145,025</u></b>
<i>At 31 March 2009</i>	<u>£3,055,005</u>	<u>£ 207,557</u>	<u>£3,262,562</u>

## 12. INVESTMENTS

### a) Movements in investments during the year

	2010 £	2009 £
Market value at 1 April 2009	19,726,781	26,937,856
Additions	833,485	267,080
Disposals at opening market value	(516,855)	(569,807)
Unrealised gain	<u>5,947,295</u>	<u>(6,908,348)</u>
Total investments	<u>25,990,706</u>	<u>19,726,781</u>
Invested cash	<u>1,159,711</u>	<u>1,673,200</u>
Market value at 31 March 2010	<b><u>£27,150,417</u></b>	<b><u>£21,399,981</u></b>

12. INVESTMENTS (CONTINUED)

b) Analysis of investments

	2010		2009	
	Cost £	Market value £	Cost £	Market value £
<b>Unrestricted funds</b>				
General fund	17,122,405	23,393,791	17,345,528	18,567,686
<b>Designated funds</b>				
Falklands Fund	1,730,043	2,571,638	1,730,043	1,940,729
<b>Restricted funds</b>				
Pembroke House Residents' Support Fund	205,852	305,991	205,852	230,921
John Cornwell VC National Memorial	192,639	190,350	192,639	143,619
<b>Permanent Endowment Funds</b>				
Royal Naval Fund	278,506	285,279	278,456	223,112
Chatham Depot Aid Fund	223,589	229,658	223,586	157,480
Mrs I Briggs Fund	70,589	72,362	70,577	56,831
Sir John Langham's Bequest	6,758	6,937	6,737	5,461
Dame Elisabeth Kelly Fund	92,086	94,411	92,070	74,142
	<u>£19,922,467</u>	<u>£27,150,417</u>	<u>£20,145,488</u>	<u>£21,399,981</u>

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 following holdings represented more than 5% of total investments at market value:-

Armed Forces Common Investment Fund Units	-	72.0%
Schroders Property Fund Units	-	5.1%
Schroders UK Equities	-	10.0%

**13. DEBTORS**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Trade debtors	<b>18,994</b>	<i>13,990</i>
Other debtors	<b>410,997</b>	<i>517,374</i>
Prepayments	<b><u>7,268</u></b>	<i><u>1,836</u></i>
	<b><u><u>437,259</u></u></b>	<i><u><u>533,200</u></u></i>

**14. CREDITORS (Amounts falling due in one year)**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Trade creditors	<b>32,880</b>	<i>20,586</i>
Other taxation and social security	<b>22,981</b>	<i>23,195</i>
Other creditors	<b>8,897</b>	<i>32,536</i>
Accruals	<b><u>97,521</u></b>	<i><u>121,668</u></i>
	<b><u><u>162,279</u></u></b>	<i><u><u>197,985</u></u></i>

## 15. SUMMARY OF SPECIAL FUND TRANSACTIONS

	<i>Balance at 1 April 2009</i>	<b>Total incoming resources</b>	<b>Total resources expended</b>	<b>Transfers</b>	<b>Balance at 31 March 2010</b>
	£	£	£	£	£
<b>Endowment funds</b>					
Royal Naval Fund	227,219	62,121	-	-	289,340
Chatham Depot Aid Fund	145,111	72,177	-	-	217,288
John Cornwell VC National Memorial	7,206	-	-	-	7,206
Sir John Langham Bequest	5,420	1,481	-	-	6,901
Mrs I Briggs for annuities	96,835	15,519	-	-	112,354
Dame Elisabeth Kelly Fund	74,641	20,256	-	-	94,897
1939/45 Memorial Fund	6,310	-	-	-	6,310
	<u>£ 562,742</u>	<u>£ 171,554</u>	<u>£ -</u>	<u>£ -</u>	<u>£ 734,296</u>
<b>Restricted funds</b>					
Seafarers	-	115,000	(119,338)	4,338	-
Mrs I Briggs – revenue	1,033	2,551	(3,590)	470	464
R M Carmichael	269	-	-	-	269
Chatham Depot Aid Fund – revenue	-	7,539	(8,225)	686	-
John Cornwell VC National Memorial	146,172	72,122	(29,765)	1,082	189,611
Greenwich Hospital	5,766	808,708	(892,241)	105,689	27,922
Individual cases	1,002	16,832	(17,506)	636	964
Dame Elisabeth Kelly Fund – revenue	3,732	3,328	(3,658)	197	3,599
Sir John Langham Bequest – revenue	-	244	(524)	280	-
Royal Naval Fund – revenue	3,844	10,034	(7,947)	483	6,414
Submarine Memorial Fund	1,936	4,706	(5,939)	216	919
1 <sup>st</sup> Gulf War Fund	-	20,000	(15,568)	566	4,998
1939/45 Memorial Award – revenue	-	-	(208)	208	-
	<u>163,754</u>	<u>1,061,064</u>	<u>(1,104,509)</u>	<u>114,851</u>	<u>235,160</u>

**15. SUMMARY OF SPECIAL FUND TRANSACTIONS (CONTINUED)**

	<i>Balance at 1 April 2009 £</i>	<b>Total incoming resources £</b>	<b>Total resources expended £</b>	<b>Transfers £</b>	<b>Balance at 31 March 2010 £</b>
<b>Pembroke House (Restricted Funds):</b>					
Amenities Fund	12,654	21,787	(13,878)	504	<b>21,067</b>
Residents' Support Fund	130,401	89,447	(58,644)	2,469	<b>163,673</b>
Redevelopment Fund	907,373	-	(17,375)	632	<b>890,630</b>
Projects Fund	66,973	5,000	(3,493)	127	<b>68,607</b>
Minibus Fund	<u>25,336</u>	<u>-</u>	<u>(10,251)</u>	<u>373</u>	<u><b>15,458</b></u>
	<u>1,142,737</u>	<u>116,234</u>	<u>(103,641)</u>	<u>4,105</u>	<u><b>1,159,435</b></u>
<b>Total restricted funds</b>	<u>£ 1,306,491</u>	<u>£ 1,177,298</u>	<u>£ (1,208,150)</u>	<u>£ 118,956</u>	<u>£ 1,394,595</u>
<b>Designated Fund</b>					
Falklands Fund	<u>£ 1,690,827</u>	<u>£ 732,403</u>	<u>£ (141,484)</u>	<u>£ 20,716</u>	<u>£ 2,302,462</u>

**16. COMMITMENTS**

**a) Capital commitments**

There were no capital commitments made in-year.

**b) Pension scheme**

**Defined Benefit Scheme**

The Trust operates a defined benefit scheme in the UK. However, the Scheme was closed to new employees in January 2003 and closed to future benefit accrual on 1 December 2008. A full actuarial valuation was carried out at 6 April 2007 using the projected method and updated to 31 March 2010 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown at the end of this note.

The total contributions to the Scheme by the employer during the financial year were £196,805 (2009: £137,000). At the year-end there were no contributions outstanding (2009: NIL).

An FRS 17 surplus arose in the Scheme at the year-end of £164,000. No Scheme asset has been recognised in the accounts as the trustees are currently considering a buy-out option at a cost that is considerably higher than the FRS 17 valuation. Further comments about the buy-out can be found in Note 17.

**Present value of Scheme liabilities, fair value of assets and surplus/(deficit)**

	<b>31 March 2010 £'000</b>	<b>31 March 2009 £'000</b>	<b>31 March 2008 £'000</b>
Fair value of Scheme assets	518	699	1,206
Present value of Scheme liabilities	<u>(354)</u>	<u>(622)</u>	<u>(1,213)</u>
Surplus/(deficit) in Scheme	<u>164</u>	<u>77</u>	<u>(7)</u>
Unrecognised surplus	<u>164</u>	<u>77</u>	<u>-</u>
Asset/(liability) to be recognised	<u>-</u>	<u>-</u>	<u>(7)</u>

**Reconciliation of opening and closing balances of the present value of the Scheme liabilities**

	<b>Year ending 31 March 2010 £'000</b>	<b>Year ending 31 March 2009 £'000</b>
Scheme liabilities at start of period	622	1,213
Current service cost	13	59
Interest cost	29	62
Contributions by Scheme participants	-	27
Actuarial losses/(gains)	72	2
Benefits paid, death in service insurance premiums and expenses	(382)	(688)
Losses/(gains) on curtailments	<u>-</u>	<u>(53)</u>
Fair value of Scheme liabilities at end of year	<u>354</u>	<u>622</u>

**Reconciliation of opening and closing balances of the fair value of the Scheme assets**

	<b>Year ending 31 March 2010 £'000</b>	<b>Year ending 31 March 2009 £'000</b>
Fair value of Scheme assets at start of period	699	1,206
Expected return on Scheme assets	33	52
Actuarial gains/(losses)	(29)	(35)
Contributions by the Trust	197	137
Contributions by Scheme participants	-	27
Benefits paid, death in service insurance premiums and expenses	<u>(382)</u>	<u>(688)</u>
Fair value of Scheme assets at end of year	<u><u>518</u></u>	<u><u>699</u></u>

The actual return on the Scheme assets over the period ending 31 March 2010 was £4,000 (2009: £17,000).

**Total amounts included within the Statement of Financial Activities are as follows:**

	<b>Year ending 31 March 2010 £'000</b>	<b>Year ending 31 March 2009 £'000</b>
Current service cost	13	59
Interest cost	29	62
Expected return on Scheme assets	(33)	(52)
Losses/(gains) on curtailments	<u>-</u>	<u>(53)</u>
Total expense recognised within net outgoing resources	9	16
Actuarial gains and losses	<u>(188)</u>	<u>(114)</u>
Total amount charged to the Statement of Financial Activities	<u><u>(179)</u></u>	<u><u>(98)</u></u>

The cumulative amount of recognised actuarial gains and losses since adoption of FRS 17 is (£243,000).

**Major categories of Scheme assets as a percentage of total Scheme assets:**

	<b>2010</b> %	<b>2009</b> %
Equities	50%	42%
Cash	10%	-
Bonds	40%	45%
Property	-	13%

**Assets**

	<b>31 March 2010 £'000</b>	<b>31 March 2009 £'000</b>	<b>31 March 2008 £'000</b>
Pension reserve	<u>518</u>	<u>699</u>	<u>1,206</u>
<b>Total assets</b>	<u><u>518</u></u>	<u><u>699</u></u>	<u><u>1,206</u></u>

None of the fair values of the assets shown above include any of the Trust's own financial instruments or any property occupied by or other assets used by the Trust.

**Assumptions**

	<b>31 March 2010 % per annum</b>	<b>31 March 2009 % per annum</b>	<b>31 March 2008 % per annum</b>
Inflation	<b>3.60%</b>	3.00%	3.60%
Salary increases	<b>N/A</b>	N/A	4.60%
Rate of discount	<b>5.50%</b>	6.70%	6.90%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	<b>3.60%</b>	3.00%	3.60%
Allowance for commutation of pension for cash at retirement	<b>None</b>	None	None

The mortality assumptions adopted at 31 March 2010 imply the following life expectancies:

Male retiring at age 65 in 2010	22.1
Female retiring at age 65 in 2010	25.0
Male retiring at age 65 in 2030	23.1
Female retiring at age 65 in 2030	25.9

### Expected long term rates of return

The long term expected rate of return on cash is determined by reference to bank base rates at the balance sheet dates. The long term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The long term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

The long term expected rate of return on the Pension Reserve is based on the expected return on the underlying assets. The expected long term rates of return applicable for each period are as follows:-

	<b>Year commencing 1 April 2009 % per annum</b>	<b>Year commencing 1 April 2008 % per annum</b>
Pension reserve	<b>5.50%</b>	5.50%
Overall for Scheme	<b>5.50%</b>	5.50%

### Amounts for the current and previous four years

	<b>2010 £'000</b>	<b>2009 £'000</b>	<b>2008 £'000</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
Fair value of Scheme assets	<b>518</b>	699	1,206	1,261	1,390
Present value of Scheme liabilities	<b>(354)</b>	(622)	(1,213)	(1,629)	(1,626)
Surplus/(deficit) in Scheme	<b>164</b>	77	(7)	(368)	(236)
Experience adjustment on Scheme assets	<b>(29)</b>	(35)	(18)	(29)	(24)
Experience adjustment on Scheme liabilities	-	(2)	107	(62)	(1)

### Defined Contribution Scheme

The RNBT also operates a defined contribution scheme. The total contributions to the scheme by the employer during the financial year were £82,977 (2009: £19,710).

The total contributions outstanding at the year-end were £ NIL (2009: £8,081).

## 17. CONTINGENT LIABILITIES

In December 2008 the Trust closed the defined benefit pension scheme to future accrual with a view to a buy-out of the Scheme.

The estimated buy-out costs of the Defined Benefit Pension Scheme are assessed by the pension administrator to be in the order of but probably less than £1M.

The estimated liability will be recognised in the accounts at the point the buy-out happens and therefore no provision has been accrued in the accounts for the year ended 31 March 2010.