

**THE ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31st DECEMBER 2018**

Patron:

HER MAJESTY THE QUEEN

President:

Admiral Sir Mark Stanhope GCB, OBE, DL

Registered Charity Number
207405

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REPORT OF THE TRUSTEES

The Trustees present their report with the financial statements of the charity for the year ended 31 December 2018. The Trustees have adopted the provisions of the 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 issued in July 2014.

LEGAL AND ADMINISTRATIVE INFORMATION

Name of the Charity

The official name of the charity is the 'Royal Naval Benevolent Society for Officers' (RNBSO). However, in 2008 the Trustees agreed to adopt the working title of the 'Royal Navy Officers' Charity' (RNOC).

The Council structure and Trustees

The Council members, who are the Trustees of RNBSO, are as follows:

President - Admiral Sir Mark Stanhope, GCB, OBE, DL
Vice President - Vice Admiral P M Bennett, CB, OBE

Chairman - Surgeon Commodore J J W Sykes, OStJ, Royal Navy
Honorary Treasurer – Lieutenant W P Austin, Royal Navy
Surgeon Commander G F Chirnside, Royal Navy
Mrs E A Gibson (1 January – 6 June 2018)
Commander R M Grainger, Royal Navy
Commander G P Hockley, Royal Navy
Commander B F M Hughes, Royal Navy
Commander E E Marland, Royal Navy
Commodore D J Marsh, CBE, Royal Navy (resigned 31.12.2018)
The Venerable M G Poll, Royal Navy
Commander J S H Turner Royal Navy (1 January – 6 June 2018)

The Royal Navy and Royal Marines Charity – Corporate Trustee

The Officers and Advisers of the Council are:

Chief Executive Officer

Commander M Goldthorpe Royal Navy

Principal Address & Contact Details

70, Porchester Terrace
London, W2 3TP
Tel No: 020 7402 5231
E-Mail: rnoc@arno.org.uk

Auditors

Kingston Smith LLP
Devonshire House
60 Goswell Road
London, EC1M 7AD

Bankers

Child & Co. (Bankers) 1 Fleet Street, London, EC4Y 1BD

Solicitors

Gregory Rowcliffe Milners, 1 Bedford Row, London, WC1R 4BZ

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Investment Managers
Cazenove Capital Management Limited, 12 Moorgate, London EC2R 6DA
STRUCTURE, GOVERNANCE & MANAGEMENT

Governing Documents

The charity was founded in 1739 and in 1838 was incorporated by Royal Charter granted by Queen Victoria as the Royal Naval Benevolent Society (RNBSO). In 1996, 2997 and 2007 additional supplements to the Charter were granted.

The charity is governed by a set of rules, which were last amended in 2017 and approved by the members of the Society at the Annual General Meeting in May 2017.

The Council

The members of the governing Council, who are all volunteers, meet thrice yearly and are, for the purposes of charity law, the Trustees of RNBSO. Trustees may be elected to the Council for a period of three years and retire by rotation, albeit offering themselves for re-election each year, if they remain eligible. The President is elected by Trustees from amongst its senior members. The Chairman and Deputy Chairman are elected from the Trustees by the Council to serve in those offices for a period of one year. They may also offer themselves for re-election, as long as they remain eligible. At the 2018 AGM, Lieutenant W P F Austin, Commander E E Marland, The Venerable M G Poll and Surgeon Commodore J J W Sykes were re-elected for a further term. Mrs E Gibson and Commander J S H Turner both stood down. Vice Admiral P M Bennett was elected Vice President.

The RNBSO is a subsidiary charity of the RNRMC but retains its own Trustees for the day-to-day administration of the charity. The RNRMC is, however, the corporate Trustee with a power of veto at a General Meeting.

Trustees Induction and Training

New members of the Council attend the NCVO run Trustee Induction Course; receive an induction pack, which includes a description of their duties and responsibilities, and current policy documents for the charity. Further in-house and externally training is available if required.

Management and Administration

The executive business of the charity is administered by the CEO, supported by two staff members jointly employed by the charity and ARNO which shares the same premises. All members of the Council give their time voluntarily and receive no benefits other than travelling expenses.

Volunteers and Related Parties

The RNBSO is also the sole Trustee of the ARNO Charitable Trust (CT). In addition, it manages the RN Scholarship Fund (RNSF) as a sub-charity. Work continues to subsume the RNSF into the main RNBSO Fund.

Risk Management

The Trustees monitor the principal risks in the charity via a Risk Matrix that is scrutinised by the Finance and Administration Sub Committee (FASC) and discussed by the Board annually. The Trustees believe that the charity is, under normal circumstances, both sustainable and resilient, in its structure, governance and administration. The Risk Matrix identifies the following areas as those of the highest potential risk if not mitigated:

Risk	Mitigation
Loss of key Staff	Robust supersession planning Ongoing review of records, systems, plans and projects. Internal cross desk training.
Disaster recovery and planning	Agreed IT recovery plan Robust data back-up procedures and security measures Adequate/appropriate insurance cover

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OBJECTIVES & ACTIVITIES

Objects

The governing document enables relief to be given to Officers and former Officers of the Royal Navy, the Royal Marines, the Royal Naval Reserve, the Royal Naval Volunteer Reserve, the Royal Marine Forces Volunteer Reserve and the Queen Alexandra's Royal Naval Nursing Service, their spouses, former spouses and dependants who are in need.

When reviewing the objectives of the charity and in planning for the future, the Trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit.

PUBLIC BENEFIT

In shaping our objectives for the year and planning our activities, the trustees have considered the Charity Commission's guidance on public benefit, including the guidance 'public benefit: running a charity (PB2)'.

RNBSO is a membership organisation as well as a charity and on being established only members were eligible for financial assistance. In 1997 Trustees agreed to widen the criteria so that all serving and retired officers, whether members or not, would be eligible for benevolence in the future. Furthermore, the list of beneficiaries was widened to include wives, dependent children and former wives. Recently, with the approval of the Charity Commission, former officers of the Woman's Royal Naval Service have also become eligible to receive assistance.

Grant Making Policy

In accordance with its Royal Charter, the charity delivers its objects for public benefit by enabling financial relief to be extended by the Trustees to all officers of the Naval Service and their dependants who are in financial distress.

SIGNIFICANT ACHIEVEMENTS

The RNBSO continues to meet the need of all beneficiaries from its own investment income. In addition to regular beneficiaries, a number of new applications were received. Applications are normally dealt with within 3 working days although in emergency cases can be resolved within 24 hours. A copy of the latest Impact report can be accessed at the charity website. www.moc.org.uk. In addition, a new joint ARNO/RNOC website has been launched www.arno.org.uk and all our IT systems have been updated to ensure the latest compliance.

FINANCIAL REVIEW

Investment Controls and Restrictions

The Trustees ensure that the capital held by RNBSO is invested prudently and conservatively over the long term for the ultimate benefit of beneficiaries. The aim is to achieve a balance of income and capital growth through an agreed investment strategy.

Cazenove Capital Management continues to manage the charity's Investment Portfolio on a discretionary basis. The investment performance is measured against a composite portfolio benchmark agreed regularly reviewed by Trustees.

Trustees have considered whether they should impose any ethical restriction on the investment of RNBSO's assets and have concluded that they would not wish to restrict the investment manager's ability to achieve their primary objectives. Nevertheless, Trustees believe it to be in the charity's long-term interests that its investments favour those companies that pursue ethical and socially responsible policies and have instructed fund managers to consider this position when choosing investments for the charity.

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Investment Performance

Portfolio performance was negative for the fourth quarter, which took overall returns for 2018 into negative territory. In review of the major asset classes, the past year saw only UK government bonds, the S&P 500 index, Gold and UK Commercial property achieve positive returns (in £ terms). The final quarter of the year was particularly poor for equities, which the investment portfolio has just under two thirds invested in. Having surpassed previous highs in the third quarter and registering the longest-running bull market in history, the US fell as investors took profits. Almost all other equity markets and regions were negative over the quarter and it is perhaps notable that to achieve a positive return, investors would have needed a significant exposure to one or both of Latin America or India.

The year-end investment valuation for our combined restricted and unrestricted funds stood at £14,291,864. The Unrestricted portfolio generated a total return of -4.4% against a composite benchmark return of -3.9%

Investors continue to be concerned about the risk of recession in major economies and the normalisation of monetary policy and as such increased market volatility is likely to remain. Against this more uncertain backdrop, we expect 2019 to be a year of relatively low, albeit still positive, equity market returns however, earnings growth forecasts remain susceptible to downgrades. Trade tensions have the potential to be a headwind everywhere, but especially for Asia and Emerging Markets, whilst Brexit uncertainty will continue to weigh on domestically focused UK companies. It is unlikely that corporate profits will fall, in the absence of a recession, and whilst there is the risk of a faster decline in economic activity than expected, we see healthy household balance sheets, relatively high personal saving rates, strong labour market momentum and high business confidence. We do not expect a global recession in 2019 and retain our neutral equity allocation.

Financial Outcome

Incoming resources for the year amounted to £629,890 and resources expended £633,906 giving rise to a net deficit of £4,016 before recognised gains and losses on investments. Investment income was £583,863 and legacies/donations, for which the Council are extremely grateful, £46,027.

The total sum expended on grants during the year was £427,078 compared to £375,524 in 2017 with in excess of 200 grants made to individuals. As in previous years the amount of applications from serving personnel continues to rise. Grants continue to be administered in a timely manner and it is extremely rare that valid applications are not met in full.

Reserves Policy

The aim of the charity is to maintain sufficient resources to continue to be self-financing in perpetuity and aims to hold its free reserves to a level equivalent to six months of its own expenditure, which would require a liquid reserve of around £225k. At the year end funds amounted to £14.55m of which £321k are restricted and are therefore not freely available. The remaining funds are therefore £14.3m, the majority of which are represented by investments which the trustees deem to be held for the longer term in order to generate an income stream for the charity and remain sustainable for future generations.

FUTURE PLANS

Future Activities and Aims

The standard regular annual grant currently stands at £2200 pa. A review of the allowance has been conducted and from January 2019 this will be increased to £2,500. From Feb 2019 we will have a new members of staff who we hope will help revamp our communications strategy thereby ensuring we reach more potential beneficiaries.

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STATEMENT OF TRUSTEES RESPONSIBILITIES

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

The law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- 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 in business.

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. 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.

In so far as the charity's Trustees are aware:

- there is no relevant audit information of which the organisation's auditor is unaware, and
- the charity's Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Signed on behalf of the Trustees.



Surgeon Commodore J J W Sykes, OStJ, Royal Navy
Chairman

27 February 2019

REPORT OF THE INDEPENDENT AUDITORS TO MEMBERS OF THE ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS

Opinion

We have audited the financial statements of The Royal Naval Benevolent Society for Officers for the year ended 31 December 2018 which comprise specify the titles of the primary statements such as the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and 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 December 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; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of 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 annual 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 where the Charities Act 2011 requires us to report to you if, in our opinion:

REPORT OF THE INDEPENDENT AUDITORS TO MEMBERS OF THE ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- the charity has not kept adequate accounting records; 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 required for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 4, 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 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 judgement 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 purposes of expressing an opinion on the effectiveness of the charity'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 charity'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 charity 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.

**REPORT OF THE INDEPENDENT AUDITORS TO MEMBERS OF
THE ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS**

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.

This report is made solely to the charity's trustees, as a body, in accordance with Chapter 3 of Part 8 of the Charities Act 2011. 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 any party other than the charity and charity's trustees as a body, for our audit work, for this report, or for the opinion we have formed.

Kingston Smith LLP

Kingston Smith LLP
Statutory auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

Kingston Smith LLP is eligible to act as auditor in terms of Section 1212 of the Companies Act 2006.

Date: 27/02/2019

**THE ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS STATEMENT OF FINANCIAL
ACTIVITIES FOR THE YEAR ENDED 31ST DECEMBER 2018**

	Notes	Total Unrestricted Funds	Total Restricted Funds	Funds 2018	Funds 2017
INCOME & ENDOWMENTS					
Donations and legacies	2	43,527	2,500	46,027	41,847
Investment income	3	571,921	11,942	583,863	543,183
Total operating income		<u>615,448</u>	<u>14,442</u>	<u>629,890</u>	<u>585,030</u>
EXPENDITURE					
Raising funds					
Investment manager's fees		56,216	-	56,216	31,631
Advertising		2,520	-	2,520	2,166
Charitable activities					
Grants	5	417,078	10,000	427,078	375,524
Other charitable activities	4	148,092	-	148,092	138,807
Total operating expenditure		<u>623,906</u>	<u>10,000</u>	<u>633,906</u>	<u>548,128</u>
Net operating income/(expenditure)		(8,458)	4,442	(4,016)	36,902
Net gains on investments	11	(1,190,810)	(24,951)	(1,215,761)	707,159
Net income		(1,199,268)	(20,509)	(1,219,777)	744,061
Gross transfers between funds	15	-	-	-	-
Net movement in funds		(1,199,268)	(20,509)	(1,219,777)	744,061
Total funds brought forward		15,429,225	341,282	15,770,507	15,026,446
Total funds carried forward	14	<u>14,229,957</u>	<u>320,773</u>	<u>14,550,730</u>	<u>15,770,507</u>

**THE ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS
BALANCE SHEET AT 31ST DECEMBER 2018**

		2018	2017
		£	£
Fixed assets			
Investments	11	14,291,864	15,556,019
Current assets			
Debtors	12	31,001	6,394
Cash at bank and in hand		<u>258,671</u>	<u>221,654</u>
		289,672	228,048
Liabilities			
Creditors falling due within one year	13	<u>(30,806)</u>	<u>(13,560)</u>
Net current assets		258,866	214,488
Net assets		<u><u>14,550,730</u></u>	<u><u>15,770,507</u></u>
 The funds of the charity			
Restricted funds	14	320,773	341,282
Unrestricted funds	14	14,229,957	15,429,225
Total charity funds		<u><u>14,550,730</u></u>	<u><u>15,770,507</u></u>

The financial statements on pages 9 to 20 were approved by the Trustees on 27 February 2019 and signed on their behalf by:



Surgeon Commodore J J W Sykes, OStJ, Royal Navy
Chairman



W P F Austin
Honorary Treasurer

ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2018

	2018	2017
	£	£
Cash (outflow) from operating activities		
Net cash used in operating activities	<u>(595,240)</u>	<u>(506,209)</u>
Cash flows from investing activities		
Investment income and interest received	583,863	543,183
Proceeds from disposal of fixed asset investments excluding endowment funds	1,972,362	837,655
Acquisition of fixed asset investments excluding endowment funds	<u>(1,923,968)</u>	<u>(880,092)</u>
	<u>632,257</u>	<u>500,746</u>
Net increase/(decrease) in cash and cash equivalents	37,017	(5,463)
Cash and cash equivalents at beginning of year	<u>221,654</u>	<u>227,117</u>
Cash and cash equivalents at end of year	<u>258,671</u>	<u>221,654</u>

Reconciliation of net income/ (expenditure) to net cash flow from operating activities

	2018	2017
	£	£
Net income including endowments	(1,219,777)	744,061
Adjustments for:		
Net gains on investments	1,215,761	(707,159)
Investment income	(583,863)	(543,183)
(Increase) in debtors	(24,607)	(2,524)
Increase in creditors	17,246	2,596
Net cash used in operating activities	<u>(595,240)</u>	<u>(506,209)</u>

THE ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

1. ACCOUNTING POLICIES

a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by (the revaluation of land and buildings and) investments being measured at fair value through income and expenditure within the Statement of Financial Activities.

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The charity is a public benefit entity for the purposes of FRS 102 and therefore the charity also prepared its financial statements in accordance with the 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 (The FRS 102 Charities SORP) and the Charities Act 2011.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements comprise the charity and its subsidiary, the Royal Naval Scholarship Fund (RNSF), under a Charity Commission Scheme.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

b) Going Concern

The trustees have assessed whether the use of the going concern basis is appropriate and have considered possible events or conditions that might cast significant doubt on the ability of the charity to continue as a going concern. The trustees have made this assessment for a period of at least one year from the date of approval of the financial statements. In particular the trustees have considered the charity's forecasts and projections and have taken account of pressures on donation and investment income. After making enquiries the trustees have concluded that there is a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

c) Income

All income is recognised when there is entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Legacies are recognised following probate and once there is sufficient evidence that receipt is probable and the amount of the legacy receivable can be measured reliably. Where entitlement to a legacy exists but there is uncertainty as to its receipt or the amount receivable, details are disclosed as a contingent asset until the criteria for income recognition are met.

Income is deferred when the donor attaches conditions outside the charity's own control or specifies that the resources are to be used in a future accounting period.

d) Expenditure

Liabilities are recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

Grants payable are payments made to third parties in the furtherance of the charitable objects of the Charity. Unconditional grant offers are accrued once the recipient has been notified of the grant award and its payment is probable. Grant awards that are subject to the recipient fulfilling performance or other conditions are accrued when the recipient has been notified of the grant and either the performance condition is met or any remaining unfulfilled condition attaching to the grant is outside of the control of the Charity.

THE ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

1. ACCOUNTING POLICES (Continued)

e) Volunteers and donated services and facilities

The value of services provided by volunteers is not incorporated into these financial statements. Where services are provided to the charity as a donation that would normally be purchased, this contribution is included in the financial statements at an estimate based on the value of the contribution to the charity.

f) Irrecoverable VAT

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

g) Allocation of overhead and support costs

Overhead, support and governance costs are allocated between the cost of raising funds and charitable activities. Overhead, support and governance costs relating to charitable activities have been apportioned between activities.

h) Costs of raising funds

The costs of raising funds consist of investment management fees, other direct costs of raising funds and an apportionment of overhead, support and governance costs.

i) Charitable activities

Costs of charitable activities include grants payable, other costs directly associated with providing benevolence to beneficiaries and an apportionment of overhead, support and governance costs.

j) Governance costs

Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice. These costs include costs related to statutory audit, legal fees and Trustee meeting expenses together with an apportionment of overhead and support costs.

k) Fixed asset investments

Investments are stated at market value inclusive of accrued income as at the balance sheet date. The statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year.

Changes in fair value and gains and losses arising on the disposal of investments are credited or charged to the income or expenditure section of the Statement of Financial Activities as 'gains or losses on investments' and are allocated to the appropriate fund holding or disposing of the relevant investment.

l) Realised and unrealised gains and losses on investments

All gains and losses are taken to the income and expenditure section of the statement of financial activities as they arise. Realised gains and losses on investments are calculated as the difference between sale proceeds and opening market value or purchase date if later. Unrealised gains and losses are calculated as the difference between the market value at the end of the year and opening market value, or purchase date if later. Realised and unrealised gains are separated in the statement of financial activities.

m) Funds structure

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor.

Unrestricted funds comprise those funds which the Trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include designated funds where the Trustees, at their discretion, have created a fund for a specific purpose.

**THE ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS NOTES TO THE FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2018**

1. ACCOUNTING POLICIES (Continued)

n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

o) Financial Instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments. Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

With the exceptions of prepayments and deferred income all other debtor and creditor balances are considered to be basic financial instruments under FRS 102. See notes 12 and 13 for the debtor and creditor notes.

p) Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

q) Critical accounting estimates and areas of judgement

In the view of the trustees in applying the accounting policies adopted, no judgements were required that have a significant effect on the amounts recognised in the financial statements nor do any estimates or assumptions made carry a significant risk of material adjustment in the next financial year.

THE ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

2. VOLUNTARY INCOME

	Unrestricted 2018 £	Restricted 2018 £	Total 2018 £
General donations	29,892	2,500	32,392
Legacies	10,100	-	10,100
Donated services	3,535	-	3,535
	<u>43,527</u>	<u>2,500</u>	<u>46,027</u>

	Unrestricted 2017 £	Restricted 2017 £	Total 2017 £
General donations	28,540	-	28,540
Legacies	9,877	-	9,877
Donated services	3,430	-	3,430
	<u>41,847</u>	<u>-</u>	<u>41,847</u>

Donated services represent audit and accountancy fees paid on behalf of the charity by the Royal Navy & Royal Marines Charity (RNRMC). The expenditure is shown under governance costs (see note 7).

3. INVESTMENT INCOME

	Unrestricted 2018 £	Restricted 2018 £	Total 2018 £
Dividends	571,115	11,942	583,057
Interest on cash deposits	806	-	806
	<u>571,921</u>	<u>11,942</u>	<u>583,863</u>

	Unrestricted 2017 £	Restricted 2017 £	Total 2017 £
Dividends	531,330	11,315	531,330
Interest on cash deposits	538	-	538
	<u>531,868</u>	<u>11,315</u>	<u>531,868</u>

THE ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

4. ANALYSIS OF CHARITABLE EXPENDITURE

	Grants Payable (see note 5) £	Other Direct Costs £	Support Costs (see note 6) £	Total 2018 £
Benevolence	427,078	-	148,092	575,170
	<u>427,078</u>	<u>-</u>	<u>148,092</u>	<u>575,140</u>
	Grants Payable (see note 5) £	Other Direct Costs £	Support Costs (see note 6) £	Total 2017 £
Benevolence	375,524	-	138,807	514,331
	<u>375,524</u>	<u>-</u>	<u>138,807</u>	<u>514,331</u>

5. ANALYSIS OF GRANTS PAYABLE

	Grants to Institutions £	Grants to Individuals £	Total 2018 £
Benevolence grants	-	417,078	417,078
Scholarships	-	10,000	10,000
Total	<u>-</u>	<u>427,078</u>	<u>427,078</u>
	Grants to Institutions £	Grants to Individuals £	Total 2017 £
Benevolence grants	-	367,659	367,659
Scholarships	-	7,865	7,865
Total	<u>-</u>	<u>375,524</u>	<u>375,524</u>

The number of grants paid to individuals in the current year was 142 (2017: 159).

THE ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

6. ALLOCATION OF SUPPORT COSTS AND OVERHEADS

The Trustees consider that no or at least a very minimal amount of support costs and overheads can be attributed to the governance costs therefore they are all apportioned to charitable activities.

Analysis of support costs:

	2018	2017
	£	£
Management costs	79,529	75,777
Establishment costs	30,251	29,000
Administrative costs	23,464	20,840
Governance costs (See note 7)	14,848	13,190
	<u>148,092</u>	<u>138,807</u>

7. ANALYSIS OF GOVERNANCE COSTS

	Total	Total
	2018	2017
	£	£
Auditor's remuneration	3,535	3,430
Legal and professional fees	7,463	8,510
Annual report costs	1,500	1,250
Other	2,350	-
	<u>14,848</u>	<u>13,190</u>

8. TRANSACTIONS WITH MEMBERS OF THE COUNCIL

No Trustees received emoluments in the year (2017: none). Seven trustees received reimbursement of travel expenses of £382 (2017: 7 Trustees receiving £664) from RNSBO.

9. ANALYSIS OF STAFF COSTS

	2018	2017
	£	£
Salaries and wages	147,352	142,602
Social security costs	17,770	16,277
Pension costs	10,053	9,967
	<u>175,175</u>	<u>168,846</u>

Employees' responsibilities are split between the charity and the Association of Royal Navy Officers (ARNO). Since 1 October 2008 staff have been paid by RNBSO and a recharge made to ARNO. The disclosures above relate to the total payroll responsibilities of the charity.

No employees had emoluments in excess of £60,000.

Key management personnel include the Trustees, Chief Executive. The total employee benefits of the charity's key management personnel were £40,000 (2017: £45,076). No Trustees received emoluments in the year.

THE ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

10. STAFF NUMBERS

The average number of staff employed was 3 (2017: 3 staff) and the average number of full-time equivalent employees (including casual and part time staff) during the period was as follows:

	2018	2017
	Numbers	Numbers
Direct charitable	<u>3</u>	<u>3</u>

11. FIXED ASSET INVESTMENTS

	2018	2017
	£	£
Movements in fixed asset investments		
Market value brought forward	15,292,930	14,570,164
Additions	1,880,320	853,262
Disposals	(1,972,362)	(837,655)
Net gains	<u>(1,215,761)</u>	<u>707,159</u>
	13,985,127	15,292,930
Add cash	306,737	263,089
Market value carried forward	<u>14,291,864</u>	<u>15,556,019</u>

Analysis of market value of investments by type:

	2018	2017
	£	£
Equities	9,199,389	10,372,853
Bonds	1,917,883	1,753,536
Multi-Asset Funds	365,862	995,481
Alternative Investments	2,501,983	2,171,059
Cash	<u>306,737</u>	<u>263,090</u>
	<u>14,291,864</u>	<u>15,556,019</u>

Analysis of market value of investments between those held within and outside the United Kingdom:

	2018	2017
	£	£
Within the United Kingdom	10,637,385	11,570,309
Outside the United Kingdom	3,654,479	3,985,710

12. DEBTORS

	2018	2017
	£	£
Due from Royal Navy and Royal Marines Charity	3,535	3,430
Other debtors	23,146	2,964
	<u>31,001</u>	<u>6,394</u>

THE ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Accruals	30,806	13,560
	30,806	13,560

14. ANALYSIS OF CHARITABLE FUNDS

Analysis of unrestricted fund movements

	Balance at 01.01.2018 £	Income £	Expenditure £	Investment gains £	Balance at 31.12.2018 £
General funds	15,429,225	615,448	(623,906)	(1,190,810)	14,229,957

Analysis of restricted fund movements

	Balance at 01.01.2018 £	Income £	Expenditure £	Investment gains £	Balance at 31.12.2018 £
RNSF	341,282	14,442	(10,000)	(24,951)	320,773

The Royal Naval Scholarship Fund is a subsidiary of the charity and aggregated in its financial statements under a Uniting Direction issued by the Charity Commission. The Fund was transferred to RNBSO from ARNO Charitable Trust and it originated from the proceeds of the sale of the Royal Naval School at Eltham.

15. TRANSFER BETWEEN FUNDS

There were no transfers between funds during the period.

16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Fund £	Restricted Funds £	Total 2018 £
Fixed asset investments	13,993,307	298,864	14,292,171
Current assets	267,453	21,909	289,362
Other net current liabilities	(30,804)	-	(30,804)
	14,229,957	320,773	14,550,730

THE ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

17. RELATED PARTY TRANSACTIONS

Association of Royal Navy Officers (ARNO)

ARNO is a membership association for which the Trustees of the charity are also the members of ARNO's committee.

During the year the net management, administration and establishment costs recharged by the charity to ARNO amounted to £53,798 (2017: £42,942).

18. ULTIMATE CONTROLLING PARTY

During the year the charitable company was under the control of the Royal Navy and Royal Marines Charity (a registered charity incorporated in England and Wales, registered company number 6047294, registered charity number 1117794 and also a registered charity in Scotland, charity number SC041898), which has the right of veto in general meetings of the charity. Copies of the Royal Navy and Royal Marines Charity consolidated financial can be obtained from Building 29, HMS Excellent, Whale Island, Portsmouth, PO2 8ER.