

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<i>Page</i>
Report of the Trustees and Strategic Report	
• Chairman and CEO's Report	5
• Structure, Governance & Management	6
• Strategic Report	11
• Public Benefit	28
• Investment Report	28
• Reserves	31
• Acknowledgements	33
Report of the Independent Auditor	35
Consolidated Statement of Financial Activities	38
Balance Sheet – Group and Charity	39
Consolidated Cash Flow Statement	40
Notes to the Financial Statements	41

REPORT OF THE TRUSTEES
LEGAL AND ADMINISTRATIVE INFORMATION

Honorary Officers
Patron

Her Royal Highness The Princess Royal

Senior Vice Patron

Honorary Captain Sir Michael Hintze AM RNR

Vice Patrons

Mr James Pitt

Honorary Commander Lance Batchelor RNR

President

Admiral Sir Jonathon Band GCB DL

Vice Presidents

General Sir Gordon Messenger KCB DSO* OBE ADC

(Appointed 1st August 2018)

Vice Admiral Sir Tim Laurence KCVO CB ADC(P)

(Appointed 1st August 2018)

Sir Roger Carr

(Appointed 1st August 2018)

Honorary Commodore The Honourable Stephen Watson RNR

(Appointed 1st August 2018)

Lieutenant General Sir Robert Fulton KBE

(Resigned 31st July 2018)

Sir John Parker GBE FREng

(Resigned 31st July 2018)

Vice Admiral Sir Alan Massey KCB CBE

(Resigned 31st July 2018)

Trustees, Members and Directors

Mr Bill Thomas
Commodore Annette Picton Royal Navy

Chairman
Vice Chairman

Mr Rod Birkett
Lieutenant Harriet Delbridge Royal Navy

Mr Andrew Jameson OBE

Appointed 31st January 2019

Mr Mark Lewthwaite

WO1 MEM (SM) Gary Nicolson MBE
Commodore James Parkin Royal Navy

Mr James Pitt

Ms Jenny Rowe CB

Mr Willy Stocks BEM

Colonel Mike Tanner OBE

Mr Jamie Webb

Appointed 18th July 2019

WO1 Nick Sharland RN

Hon Commodore The Honourable Stephen Watson RNR

Resigned 2nd August 2018

Ms Oona Muirhead CBE

Resigned 31st July 2018

Mr Mark Dowie

Resigned 6th March 2019

Executives

Mr Adrian Bell	Chief Executive (appointed 10 th September 2018)
Mrs Sam Curd	Chief Financial Officer
Mrs Mandy Lindley	Director of Relationships and Funding
Mr Alasdair Akass	Director of Fundraising and Communications
Mr Mike Burningham	Director of Operations
Mr Robert Robson	Chief Executive (Resigned 10 th September 2018)

Company Secretary

Mr Mike Burningham

Company Registration Number

6047294 (England and Wales)

Registered Charity Numbers

1117794 (England and Wales)

SC041898 (Scotland)

Registered Office

Building 37, HMS Excellent, Whale Island, Portsmouth, PO2 8ER

Auditor

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

Legal Advisors

Charles Russell Speechlys LLP
5 Fleet Place, London, EC4M 7RD

Bankers

Holt's Military Banking
Royal Bank of Scotland plc,
200 Fowler Avenue, Fowler Business Park, Farnborough, GU14 7JP

Investment Managers

Cazenove Capital Management Limited
1 London Wall Place, London, EC2Y 5AU

CHAIRMAN and CEO's REPORT

BETTER TOGETHER

2018 witnessed the Naval sector charities working together to develop an understanding of the 'Demand and Need' of beneficiaries and this is summarised within this report. This work is designed to test and assure our outputs, guide our thinking on where investment is most needed and best directed, and how services are best delivered. It also demonstrates the clear benefit of the charities working closely together.

Cooperation and collaboration are increasingly important in the military charity sector. Whilst veteran numbers might be falling to reflect the reduction in the size of the Naval Service in the seven decades since WW2, the complexity of need as people live longer is rising and the expectations of how that need is met is also changing. At the same time, the Royal Navy's people and, by extension, their families, are witnessing an increased tempo of operations; indeed in 2018, the Royal Navy was the busiest navy in the world deploying for longer and more often than any other navy.

Serving naval personnel are also subject to higher levels of separation than their counterparts in the other two services, almost a third higher in any given three year period. This has the potential to impact greatly on those personnel and their families. Many cope admirably most of the time but all of us need some help at various stages in our lives and this is where the naval charities can help. Yes, much of the responsibility rests initially with the Navy but support comes in many forms and we believe that proactive and pre-emptive interventions by the charities can reduce people's need for support further downstream.

The serving and veteran population, including families, have complex, wide-ranging and sometimes enduring needs that cannot be adequately addressed by any one organisation, be it government, in the form of the MoD, state agencies, or charities, but a coalition of all appropriate stakeholders who can place the needs of the beneficiary at the heart of their thinking is key.

Hence the thinking behind this small group of naval charities which today comprises RNRMC, TRMC, RNOC and NSSC. This report and accounts show the group's combined assets and efforts with each individual charity reporting separately on outcomes and impact. More broadly, the Naval Sector charities' CEOs gather in forum quarterly under the chairmanship of the RNRMC CEO to discuss how best to cooperate and collaborate and where and how efforts should be focused.

This approach is increasingly important in a military charity sector which has now experienced the ending of the very generous and helpful LIBOR funding measures which injected unprecedented sums of money into the sector over the last eight years or so. The end of this income stream and the coincident reduction of the military profile in the public eye, puts considerable strain on the resources of the sector charities requiring significant thought as to how assets are best used for today's beneficiaries and husbanded for tomorrow's. Equally, decisions on how much to invest in fundraising and what is a reasonable return on investment, are not easy and require us all to consider carefully how reserves are best utilised.

There is no easy solution but 'Better Together' is much more than a mere slogan and a process that should be at the forefront of all of our thinking in the Naval Charity Sector, alongside the Naval Service itself. As the Chairman and Chief Executive of the Royal Navy's principal charity, we are committed to this creed and seeing the sector leveraging its considerable combined assets for the enduring good of all our beneficiaries.

Mr Bill Thomas
Chairman

Mr Adrian Bell
CEO

Structure, Governance and Management

Context

The Royal Navy and Royal Marines Charity (RNRMC) is a charitable company, limited by guarantee, incorporated on 10 January 2007 and registered with the Charity Commission on 2 February 2007. The RNRMC was registered with the Office of the Scottish Charity Regulator on 17 November 2010.

The RNRMC Group structure was created to provide a strong voice for naval charity through close ties and working relationships. Ever stronger links are being forged with the family of naval charities and veterans associations, together with cross-sector working with those charities supporting soldiers and airmen.

Governance

The RNRMC is controlled solely by its Members, who are also its Trustees and make up the Board of Trustees. The Charity is governed by its Memorandum and Articles of Association, initially dated 6 December 2006, and is subject to the requirements and the protection of both charity and company law.

Board of Trustees

The Trustees, all volunteers, represent a blend of experience and competencies and include those with Service experience and those with wider backgrounds. They are selected through a formal interview process and appointed for an initial term of three years. In accordance with good practice they would normally serve a maximum of three terms.

Board and Committee Meetings

The Board delegates certain powers in connection with the Charity's management and administration, as set out below. This delegation is controlled by requiring the committees to report back at the next Board meeting. All committees provide meeting minutes which are kept as part of the statutory records.

The Board meets at least four times a year. The RNRMC has encouraged closer communication with Group charities by taking up its option to nominate a trustee to the Boards of The Royal Navy Officers' Charity (RNOC), Royal Marines Association - The Royal Marines Charity (RMA-TRMC) and the Naval Service Sports Charity (NSSC).

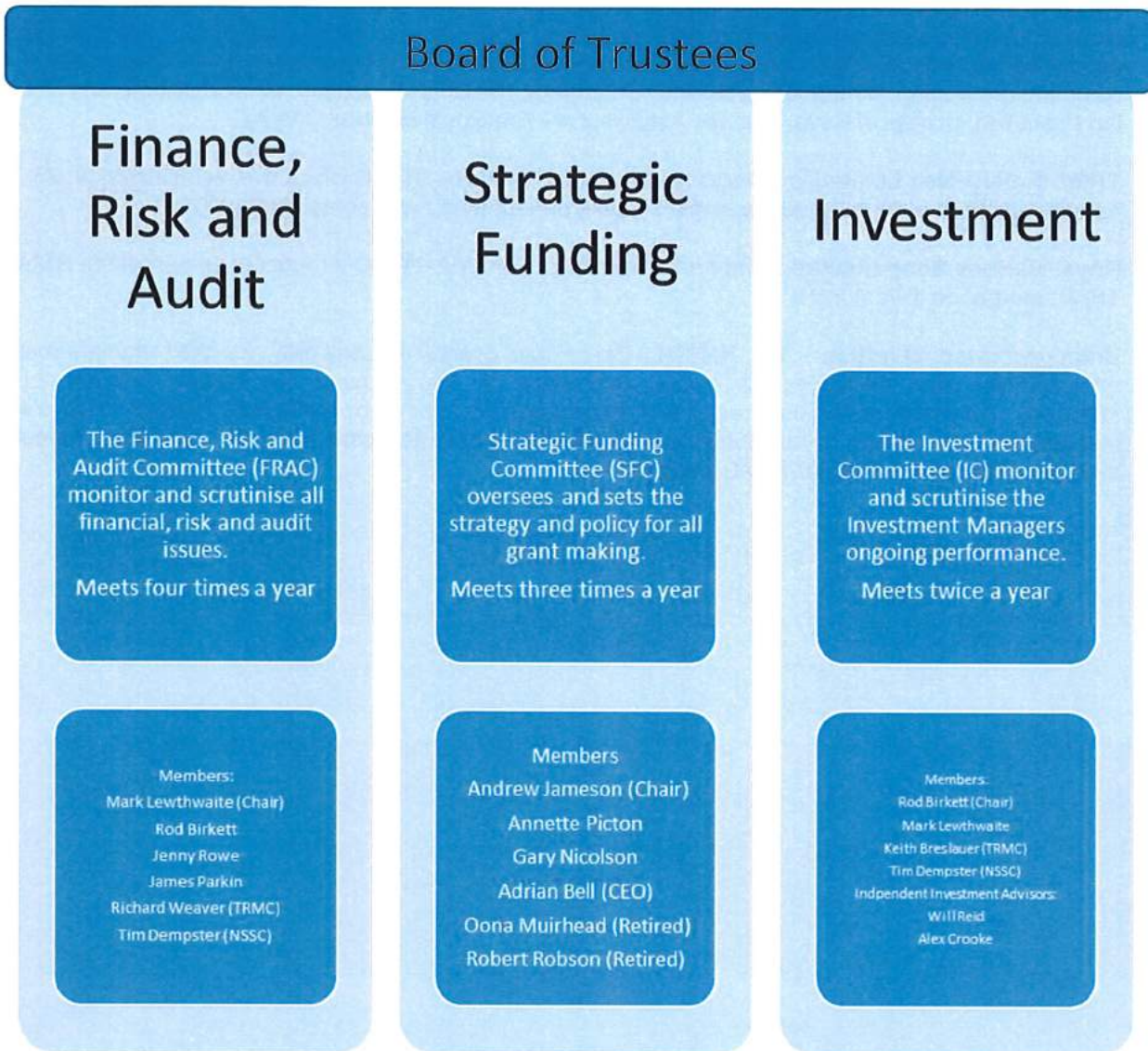
Group Entities

From the 3rd May 2017 there are now nine unincorporated charities, four charitable companies, and one charity with a Royal Charter integrated within the Group structure. There are two trading subsidiaries.

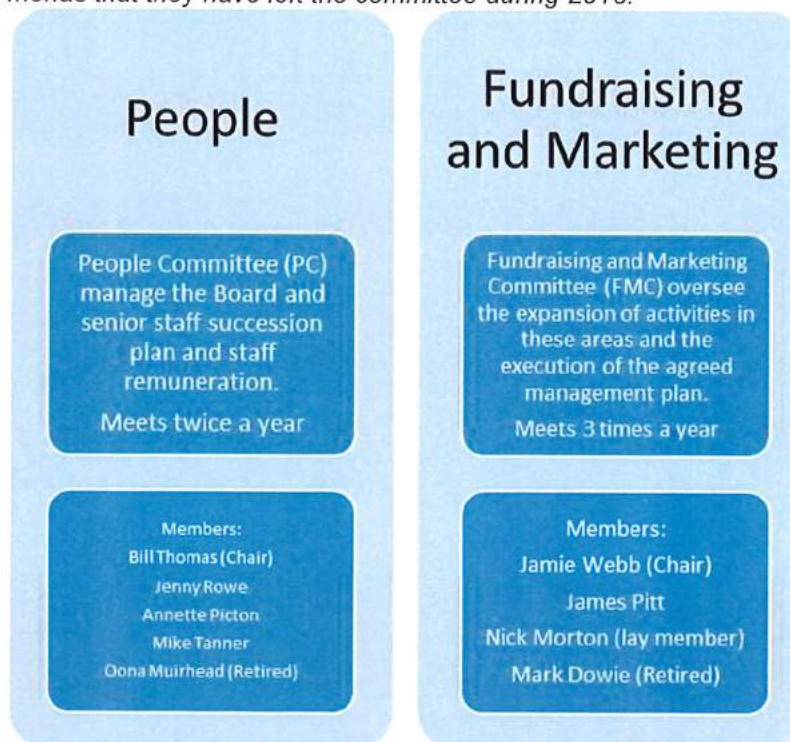
- **The Royal Naval Benevolent Society for Officers, known as The Royal Navy Officers' Charity (RNOC)** retains its own trustees, who are responsible for the administration of the charity and the management of their own funds. The RNRMC is entitled to appoint a trustee and as the corporate member it also has a legal power of veto in general meetings. The RNRMC is represented by Commodore Annette Picton. The relationship between the charities, although arm's length, is close.
- **The Naval Service Sports Charity (NSSC)** is a charitable company, governed by a Board of Trustees. The RNRMC Board has overall control, as sole member, since they may resolve by ordinary resolution to amend the minimum and maximum numbers of trustees, to appoint or remove trustees and to change the Memorandum and Articles of Association. The RNRMC is represented on the NSSC board by Lieutenant Harriet Delbridge.
- **Royal Marines Association - The Royal Marines Charity (RMA-TRMC)** is a charitable company, governed by a Board of Trustees. From 1 April 2019 TRMC acquired the Royal Marines Association and became RMA-The Royal Marines Charity (RMA-TRMC). The RNRMC Board, under its authority as the sole member, may resolve by ordinary resolution to amend the minimum and maximum numbers of trustees and has the right to appoint or remove trustees and to change the Memorandum and Articles of Association after prior consultation with the RMA-TRMC Board. The RNRMC is represented by Mr Willy Stocks BEM.
- **The Royal Marines Sports Association (RMSA)** is a charitable company and a subsidiary of **RMA-TRMC**, governed by a Board of Trustees, who are also trustees of **RMA-TRMC**. A committee known as the RMSA Executive, chaired by the Deputy Commandant General Royal Marines (Vice Chairman RMA-TRMC), is responsible for overseeing the funding of the sporting clubs and associations.

- **RNRMC Enterprises Limited** is the trading subsidiary for the Group, which is used to conduct appropriate parts of the Group's merchandising and Royal Marine Band Service trading activities. The Company was established by way of share capital from the RNRMC, which is the sole shareholder. The directors of the company are trustee, Mr Mark Lewthwaite (Chairman), the Chief Executive, Mr Adrian Bell, and Lt Colonel Ian Grant RM, trustee of Royal Marines Association - The Royal Marines Charity.
- **TRMC Enterprises Limited** is the trading subsidiary for RMA - TRMC which was established on 23 February 2016 in order to enable a single building project which was completed in 2017.
- **Royal Marines Shop Limited** is the trading subsidiary of RMA-TRMC, brought in as part of the RMA-TRMC merger on 1 April 2019.
- **Unincorporated charities** - the RNRMC Board has overall responsibility for their management and administration and delegates day-to-day operations to management committees through terms of reference. A number of these management committees are chaired by a RNRMC Trustee. The role of the management committee is to scrutinise and prioritise grant applications in line with their objects and provide oversight to the minor grants programme.

RNRMC Sub-Committees of the Board, including apportionment of Trustees:



Retired in these charts means that they have left the committee during 2018.



Management and administration

The policies and principles included within this Trustees Annual Report are those belonging to the Group, however individual charities can adopt / adapt these policies and principles to suit their own circumstances as disclosed within their individual statutory accounts.

Employees

The RNRMC Group employs over 60 staff, with the 37 RNRMC staff based on Whale Island, Hampshire. The day-to-day control and administration of the RNRMC is delegated to the Chief Executive Officer, whose senior staff manage functional departments.

The RNRMC is committed to the training, career and personal development of all employees. Each employee has an annual appraisal where their performance is assessed against the Charity's objectives alongside personal achievements within their specific roles. A training programme is devised that meets both the Charity's needs and also enhances the individual's potential towards their professional development.

We are proud to hold the Bronze Award for the Employee Recognition Scheme under the Armed Forces Covenant, which supports the transition of serving members of the Armed Forces into employment.

Remuneration

The Charity does not remunerate its Trustees. The Trustees are responsible for setting the remuneration of the Charity's Chief Executive and the remaining staff are paid via an agreed remuneration framework that sits within the overall reward policy that is agreed annually.

RNRMC implemented its new reward policy in 2018. The policy has four principal pillars, comprising remuneration, benefits, recognition and learning and development. The framework is underpinned by a robust job evaluation process for each role within the charity which has been validated by our external Human Resource advisors. Senior Management salaries are reported annually to the People Sub-Committee.

Hierarchy is kept to the minimum to be effective and as a consequence the charity has a pay ratio of 2.9:1 between the Chief Executive's salary and the average for the charity staff. The sector average for a medium sized charity is 5:1. Further details of employee remuneration are disclosed in Note 12 to the accounts.

General Data Protection Legislation (GDPR)

The new General Data Protection Regulations (GDPR) came into force on 25th May 2018. In consultation with an external provider, RNRMC audited and mapped all its personal data avenues and implemented a suite of compliant policies and procedures in line with the new legislative requirements. In 2019 RNRMC will introduce a suite of tools and staff training package to monitor and ensure ongoing compliance. We continue to endeavour to ensure that all the personal information that we need in running the charity is properly protected, correctly used and safely stored. Our renewed privacy policy and other associated policy changes can all be accessed from our website to ensure transparency and assurance.

Fundraising Principles

The RNOC's income portfolio is derived largely from investment income and there is therefore no requirement to fundraise. NSSC's income is derived largely from investment income and grants received (including from the RNRMC) and there is therefore no requirement to fundraise. The RNRMC and RMA –The Royal Marines Charity both have established fundraising programmes across similar income streams.

The Royal Navy and Royal Marines Charity and RMA The Royal Marines Charity are registered with the Fundraising Regulator and adhere to the standards of the Fundraising Codes of Practice.

No complaints about fundraising activity were received by the RNRMC or RMA The Royal Marines Charity in 2018 and therefore there was no requirement for escalation to the Regulator. We have our own procedures in place for dealing with complaints. The complaints process is open and transparent and easy to access from our respective websites. Within the process, we publish a clear procedure for escalation and timescales when supporters can expect a response.

Anyone who is kind enough to consider support for the RNRMC can be assured that:

- we never sell personal data to other organisations or charities. We do sometimes ask third party organisations to help process our data but they will act under our instruction. We never allow these organisations to use RNRMC supporter data for their own purposes and the data remains our legal responsibility; we ensure that it is treated with the same level of care as if we were handling it directly;
- it is our policy never to undertake any telephone fundraising or 'cold calling';
- all of our electronic communications to supporters includes information on how to opt out of future communications;
- we do not carry out door-to-door fundraising.

We display the Fundraising Regulator badge on our websites and fundraising collateral to demonstrate our commitment to best practice. We work with the Fundraising, Mail and Telephone Preference Services to ensure that those who choose not to receive specific types of communication do not have to.

Volunteer fundraising is fundamental to the fundraising efforts of both the RNRMC and RMA The Royal Marines Charity and we would be unable to achieve the level of voluntary income we do without the support of Service and civilian volunteers. In the Summer event season, in particular, we rely on a pool of people who give their time freely to directly collect money, organise and assist at events, or make connections with local businesses. Those volunteers collecting money *'on behalf of'* the RNRMC and RMA The Royal Marines Charity are doing so with the prior knowledge of the charities and receive a volunteer induction, have a dedicated staff 'Line Manager' and have a signed Volunteer Agreement with the respective charity. Those volunteers who collect *'in aid of'* the RNRMC and RMA The Royal Marines Charity are often acting on their own initiative and we are consequently unaware until we receive the money that has been raised. Official collections are always made with sealed RNRMC and RMA The Royal Marines Charity collecting bins. Collectors in public places require permission from local authorities or, if within its district, the Metropolitan Police. These licenses are applied for and recorded by the RNRMC and RMA The Royal Marines Charity Fundraising teams. In 2019 we have reviewed and updated our Volunteering policies.

The new General Data Protection Regulations (GDPR) came into force on 25th May 2018. Our renewed Privacy Policy and other associated policy changes can be readily accessed from our website to ensure transparency and the assurance that this brings.

Volunteers and Related Parties

All Trustees and members of the management committees of the subsidiaries give their services voluntarily and received no remuneration for their activities, other than travel and incidental expenses where claimed. The serving members of the Board undertake their RNRMC duties as volunteers in addition to their normal line duties. The RNRMC continues to develop and expand its group of volunteers to assist in all areas of the Charity. These volunteers are supported by staff members as well as specific policies and procedures which includes a handbook for volunteers.

Trustees' Report

Strategic Report

Our Vision: A world in which our sailors, marines, and their families are valued and supported for life.

Our Mission: To raise funds, working with others, to provide the support needed to our serving and former members of the Naval Service and their families.

Our aim: To provide support using our funding pathways:

Our Values:

1. Beneficiary-focussed – we will use the best evidence available to achieve maximum impact on the lives and morale of those who serve today or who have served, and their families;
2. Integrity – we will act with honesty and transparency in all our activities;
3. Inclusiveness – we will recognise and celebrate diversity in the sector;
4. Teamwork – we will always behave in a way that strengthens the sector;
5. Commitment – we will demonstrate the highest ambition and commitment for our cause.

Our aim: To provide support using our funding pathways:

Quality of Life – Focusing on our serving community we are putting our junior rates, other ranks and families at the top of our agenda. Our outcomes will be to show improvements to the lives of those in uniform and to their families.

Fit for Life – Delivering sporting capability through our Naval Service Sports Charity. By doing so we improve morale, support the 'NAVYfit' campaign and maintain the diversity and vitality of the 39 sporting associations.

Through Life – We help throughout life and channel our funds to where need is identified at whatever stage. From elderly care, through mental health provision, transition to civilian life and extensive provision for children's charities. Our outcomes demonstrate tangible differences at whichever stage in life that a safety net is required.

End of Life – When the worst happens and a loved one dies whilst in service we provide immediate and unquestioned financial assistance.

Grant making Policy

We have produced a Framework of Funding principles, which sets out our future funding ambitions for the RNRMC. The key aim of the Framework is to enable the military charitable sector and civilian organisations to play a significant role in delivering innovative, diverse and responsive services for all our beneficiaries, including those serving on board ships, units and personnel of the Naval Service and the Auxiliaries.

Overall the RNRMC is supporting a shift to a stronger focus on understanding need, achieving value for money and clear outcomes for beneficiaries. Prevention and early intervention are key drivers to ensure needs can be addressed at the earliest opportunity.

Individual casework is not conducted by the RNRMC but we work closely with caseworkers from other qualified charities in order to verify the validity of our grants when appropriate to do so and closely monitor the impact and value of our investment.

The centralised nature of the RNRMC support structure allows extensive almonisation (sharing) of funds by a small grants department. This team has access to most of the funds within the RNRMC Group and also the allocation made to the Naval Service by the Nuffield Trust and shares information with other Navy Command funds thus maximising the efficiency of distribution.

Our outputs are defined by our four delivery Pathways:

- Quality of Life;
- Fit for Life;
- Through Life;
- End of Life;

Our grants programmes are publicised widely and all bids receive expert peer review and assessment. All successful grants are reviewed at least 6 monthly for evidence of the achievement of intended outcomes.

The charity sector, rightly, continues to be the subject of increasing regulation and oversight. The recent GDPR legislation has required considerable effort to ensure personal data is managed in a safe and compliant manner. This effort follows additional enhancements to fundraising regulations, safeguarding policy and also a new Code of Governance issued by the Charity Commission. It is important that these improvements are fully integrated into all of the charity's business but balanced with a drive to keep overheads as low as possible so that this additional bureaucracy does not prevent our primary objective of providing maximum support to our beneficiaries.

Safeguarding

The RNRMC does not work directly with vulnerable groups but two of its subsidiaries, TRMC and RNOC do, as well as other organisations that RNRMC funds.

On 31st January 2019, following consultation with NCVO, COBSEO (The Confederation of Service Charities) and our legal partners, the RNRMC Board of Trustees approved and adopted a revised new Safeguarding Policy Statement.

All funded organisations are required to submit their safeguarding policy, named lead Trustee and evidence of implementation to the Director of Relationships and Funding.

This ensures, youths below the age of 18 and vulnerable adults, with whom they are assisting, are protected in an effective way from harm, abuse or neglect.

Projection for next 3 years

Demand and Need

The huge variety and complexity of need was articulated in a report in late 2018. Composed from eight work streams including internal data from Navy Command, Naval Families Federation and our own grant data supported further by external research it outlines the need for the Charity to give focus to particular key themes for serving personnel to improve retention for veterans particularly to overcome loneliness and isolation, as well as increased support for families. The report highlights the advantage of delivering projects that support proactive early intervention in an effort to reduce longer-term dependence. There is a strong case to build on the services already provided by the charity, developing and expanding them where appropriate and providing them in more locations to support those individuals and families who do not live near naval establishments or bases. We will continue to work with providers and partners to scope the provision of more holistic services based on successful pilot programmes. Traditionally, we have responded to the existing needs of our beneficiaries, but as the economic climate changes, we plan to move towards proactive early intervention and prevention. With this new approach, we aim to prevent problems before they develop and will do what we can to get people back on their feet more quickly.

Demographics

We have explored the changing profile of Royal Navy and Royal Marines beneficiaries. It is clear that whilst the veteran demographic is declining – most especially the aged veteran community - the serving population and their families will remain at the current level or gently increase.

Working Together to Meet Need and Measure Impact

The charitable objects of the RNRMC are broad, our grants application and monitoring processes provide a primary source of data to determine need and demonstrate impact. Partnership working with funded charities to explore our joint impact continues to mature in addition to the delivery of workshops to consolidate thinking and the delivery of joined up solutions to address presented need.

Themes of Need Findings:

Serving

Nine-month deployments have been placing an extra strain on family life. There is a real need to maintain morale and support to those that serve and this should continue to be the key focus for our amenities and prizes and awards fund.

1. Minor grants make a big difference to morale through social activities and improving mess decks.
2. Major grants are essential to provide comfortable mess and communal spaces as well as community facilities.

Families

We know that the Naval Service experiences more family separation than the other two Armed Forces and equally we know that naval families and naval dependants are widely dispersed across the UK.

Over the last ten years, we have been supporting the wider naval family and we have come to understand what distinguishes those who are most able to cope with the demands made on those who serve and their family members, namely strong and supportive naval communities. We are actioning this philosophy by building community resilience through supporting flagship projects to create family centres in the heart of naval communities at Faslane and Lymestone demonstrating RNRMC Group putting its weight behind its beneficiaries. Provision for those who reside near to Naval bases is generally easier to provide and will be informed by the emerging Command Needs Analysis. Meeting the need of those living further afield and away from the principal Naval establishments is recognised as a more challenging task.

Further issues for families:-

1. Maintenance of Service housing has been poor but is starting to improve.
2. Foreign and Commonwealth families face significant issues which all have financial implication and a propensity to incur debt.
3. Spousal employment is an issue, with spouses taking roles below skill-set in order to maintain home life
4. Children's Mental Health presents a significant cause for concern in 1 in 8 Naval Service families
5. The need for support during deployment.
6. The need to support Young Carers.
7. The need to support families of children with Special Educational Needs and Disabilities.
8. The need to support victims of domestic violence.
9. Childcare provision.

Working Age Veterans

Supporting sailors and marines as they transition will continue to be a focus for the charity, particularly in the following areas:-

1. PTSD - presenting long after service ended.
2. Employment support.
3. Social contact and befriending/peer support.
4. Transition to civilian life.

Older Veterans

1. The declining World War Two generation demographics mean the number of older veterans is reducing but advancing in age and presenting more complexity of need (if you were 18 in 1945 you were 91 in 2018). The support costs for those in the later stages of life will be more costly in the next few years, but will taper away as the numbers continue to decline.
2. Support for the important extras (therapy, recreational activities and trips out) in care home provision, which make significant differences to quality of life.
3. Topping up Local Authority care home fees.
4. Support with home adaptations

All Beneficiaries – Interconnecting Themes identified:-

The following themes apply to all of the groups mentioned above.

1. Debt and Financial Management.
2. Alcohol and Addiction support.
3. Mental Health support.
4. Loneliness and Social Isolation.
5. Household and general living costs.
6. Relationship support.
7. Community Facilities with running costs.
8. On-line toolkits for a range of issues.
9. Health and Wellbeing.
10. Support for Carers.

Golden Threads

1. Military charities and more specifically Naval charities need to work together to support beneficiaries.
2. 'One stop shop' for Naval family beneficiaries should be considered.
3. Communicating Naval Charity Sector offer requires improvement.

Achievements and Performance

ACHIEVEMENTS AND PERFORMANCE – RNRMC – Delivering the Plan

The work we have done on 'Need' has sharpened our focus on our beneficiaries; sailors, marines, their families and veterans. We are reviewing our processes and structures and this has already released a store of energy and enquiry that has led us to better understand need and allocate our resources to meet that need. We remain firmly of the opinion that collaboration, co-operation and possibly convergence are not only highly desirable in meeting the needs of our beneficiaries but also necessary to remove duplication and reduce inefficiency, whilst balancing the retention of proud brands in the sector. We are a leading player in this debate and are working with our partners to move the agenda forward.

We are focused on:

- Being proactive and, where necessary, pre-emptive
- Intervening early and seek to get "upstream" of identified need and problems Wherever possible promoting independence, preserving dignity and protecting individuals
- Being ambitious but pragmatic with our fundraising goals
- Developing an enthusiastic workforce motivated and skilled to deliver
- Investing in our communications, accessibility and digital ability
- Maintaining a, resilient, sustainable and compliant organisation which is financially healthy

Understanding Need

We have been working with Navy Command to identify funding priorities, drawing on research from Anglia Ruskin University and the Veterans Research Hub as well as facilitating workshops with key partners in the naval charity sector and by analysis of our own grant data. A number of different work streams in 2018 were used to develop our understanding of need for both the veteran and serving communities.

Raising Funds

Our appeal for support for the refurbishment of the Helensburgh Drumfork Community Centre was well received by a number of Trusts and Foundations, demonstrating that we can attract funding from this income stream for the right projects. New bespoke employee engagement events have been established to deepen levels of support and build affinity for some of our most committed corporate partners. These included volunteering days at local veteran care homes and a sailing day with the Royal Navy Sailing Association. Our corporate friends programme, the Bridge Partnership, launched in September 2018 and currently has 8 companies, each paying between £5,000 and £15,000 on an annual basis in support of the Charity. Our Major Donor 2018 income budget was set too high for what was, in effect, only the second full year of an integrated Major Donor cultivation programme. We refocused our efforts on growing the programme slowly and steadily, with a balance between acquisition and retention to ensure that Nelson's Company (for steadfast friends of the Royal Navy and Royal Marines) is sustainable year on year.

Beating Retreat 2018 was our most successful yet, raising £98,938 and including donations and merchandise sales for the first time. We also began a trial of contactless donation pods in high traffic areas at naval establishments nationwide. The pods are also being used by our 'Doing it for Heroes' volunteer collecting team. They finished the year having raised an incredible £36,388 for the RNRMC. It was decided to cancel the Trafalgar Night Dinner at Haberdasher's Hall due to poor uptake. Greater lead-in and partnership with the White Ensign Association bodes well for a Trafalgar Night Dinner in the newly refurbished Painted Hall in the Old Royal Naval College at Greenwich in October 2019. We broke through the £1m mark for Payroll Giving for the first time.

Grant making

We continue to develop our grant making policy and funding priorities as we move to become more proactive in our response to beneficiary need. Key themes and carefully considered outcomes alongside our framework of funding principles provide a platform to develop a focus on monitoring, evaluation and the demonstration of impact

Management of money

The Group balance sheet is now of a significant size, but our parent Board are constrained by the number of restricted funds in the Charity, which reduces their ability to allocate grant funding with the required accuracy. We are refocusing on how we manage our balance sheet to ensure that we do not disadvantage today's beneficiaries for those who would be beneficiaries tomorrow, in a world where the requirements of our beneficiary group will change over the coming ten years. We have examined the priorities by which we spend our funds and in 2019 we will begin to move from being a largely reactive to a largely proactive grant maker with the charity adopting a role akin to that of a commissioner. Finally, we will work even closer with the Royal Navy and Greenwich Hospital and the funds they control to ensure that all the financial resource available for our mutual beneficiaries is delivered coherently, without duplication and to maximum effect.

National voice

We launched our new website delivering a more contemporary feel with an improved user experience and greater signposting to services and information for our beneficiaries. We commissioned and premiered a new film detailing the gamut of our work by telling the stories of individuals who have received the helping hand of the RNRMC. We gained brand exposure through Beating Retreat advertising in The Mail on Sunday, Daily Mail, Daily Telegraph, Sunday Times, Evening Standard, London Underground and mainline railway stations. The RNRMC featured in the RN Internal Comms Briefing (known as the Two-Six briefing) and had an article published in The Naval Review, and we combined the Impact Report with the Annual Report and Financial Statements for the first time. Notwithstanding, the approval of an interim Marketing Strategy, we failed to generate consistent messaging in our communications or for our communications to support the Charity effectively. Therefore, we have prioritised a full Communications Review in 2019 together with an Implementation Plan to ensure that effective external communication is at the top of our agenda.

Show efficiency

Maintaining a low overhead ratio is core to our belief of delivering more to a wider group of beneficiaries through an effective middle and back office. In 2018 we will progress with the merger of our subsidiary The Royal Marines Charity and the Royal Marines Association. Our offer of financial administrative support to Naval Sports Associations and other charities will continue to develop. We will play a full role in encouraging efficiencies and effectiveness across the sector including encouraging discussions about how the naval charity sector specifically, and the wider military charity sector more generally, might gain from the benefits of closer convergence.

ACHIEVEMENTS AND PERFORMANCE - RMA–The Royal Marines Charity

Charitable expenditure and support has been directed towards three pathways:

1. Benevolence

- a. **Grants to those in recovery:** directly supporting those still serving who have been wounded on operations or who otherwise suffer from sickness or injury, physical or mental. The intent of grants made is not only to provide for needs where public funds are unavailable, but to restore normality as far as possible, and to assist those who can recommence paid employment to use and further develop their skills, and once more to become contributory taxpayers to the nation. A significant amount of the grants contributed to individuals advocacy costs arising from appeals to the Armed Forces Compensation Scheme.
- b. **Grants to individuals and families in need:** 445 veterans were supported with £453K, whilst 100 serving RMs were aided with £134K. Principal needs supported were household and vehicle goods and clothing, disability aids, travel and respite breaks, debt relief (in conjunction with debt counselling), medical (including psychological treatment), subsistence, funeral costs and courses.
- c. **Support to those in transition:** A bespoke service is offered to those facing medical discharge from the Corps due to injury or illness, with access to funded support where MOD or pro bono provision is not available.
- d. **Funding of Major benevolence grants:** for individuals and with partner organisations.
- e. **Funding of welfare support through the Royal Marines Association (RMA):** The RMA consists of 13,300 members in 74 branches across the UK and 14 across the world. In addition to a grant for key [Royal Marines Association](#) (RMA) events which enhance comradeship through drawing members together, the RMA - TRMC fully funded RMA Central Office welfare delivery.

Full funding is also provided for the [RM Support Network](#), the Network is now in its fifth operating year, with a nationwide network of 97 trained support officers undertaking significant support work to 117 new cases in 2018.

Through the Veterans' Referral Programme (whereby individuals requiring psychiatric support are referred to specialists for programmes of treatment) 79 cases were supported in 2018 as against 26 in 2017.

In August 2017, a new initiative was launched to enable proactive follow up care of the medically discharged who have been identified as particularly vulnerable through a Transition Support Officer based at the Naval Service Recovery Centre (HMS Drake, Devonport), and at RM Barracks Stonehouse. 62 individuals were supported in 2018.

97 individuals were supported in preparing appeals to the Armed Forces Compensation Scheme through the Tribunals Officer, resulting in very significant uplifts in discharge compensation worth £447k per annum.

2. **Amenities:** Despite the withdrawal from Afghanistan, Royal Marines remain deployed around the world, with a higher proportion at a high state of readiness than any other service; this brings significant pressures in itself on those serving and their dependants, whilst the taxpayer cannot fund all the reasonable needs of the serving Corps. These improved amenities and facilities are both for Marines and their dependants. Such charitable activity is intended to improve recruitment, morale, team cohesion and retention, thereby enhancing military efficiency.
3. **Sports:** grants to the 31 sports clubs and associations forming the Royal Marines Sports Association were met in their entirety from the days' pay subscription funds which 87% of Royal Marines pay into voluntarily (as of December 2018).

ADDED SOCIAL VALUE

Through 2018, the Charity has been meeting with a NFP organisation the [Social Value Portal](#), to work out appropriate metrics using government approved Themes, Outcomes and Measures including calculations of added social value. Having agreed 65 metrics to capture from 2019 on, data from 2018 operations was uploaded.

Areas where extra value was added were as follows:

- a. Family members supported through Association events;
- b. Veterans attending parades;
- c. Discharged RM assisted into full time employment;
- d. Hours dedicated to supporting RMs into work by providing career mentoring, including mock interviews, CV advice, and careers guidance;
- e. Unpaid work experience provided by employer partnerships;
- f. Time dedicated to supporting divorcing families;
- g. Increase in lump sum and pension won following the tribunal and pension advice service.

Information captured demonstrated that in addition to the £2.12m distributed in grants, an extra £1.38m in social value was delivered. Hence the total value of services and grants made in 2018 was £3.5m.

ACHIEVEMENTS AND PERFORMANCE - The Royal Naval Benevolent Society for Officers (RNBSO), known as The Royal Navy Officers' Charity (RNOC)

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.rnoc.org.uk. In addition, a new joint Association of Royal Navy Officers (ARNO)/RNOC website has been launched www.arno.org.uk and all our IT systems have been updated to ensure the latest compliance.

ACHIEVEMENTS AND PERFORMANCE - Naval Service Sports Charity (NSSC) – Delivering the Plan

Following the success of the NAVYfit sports, health and wellbeing events in 2017 the NSSC Directors agreed to allocate £25,000 to support the 2018 Campaign and, subject to its outputs continuing to support our Charitable Objects, have included funding for 2019 subject to annual review.

This year our funding has supported the following notable achievements:

Sports Associations. The Naval Sports Staff and the NSSC Director of Operations review the annual bids of the 39 Sports Associations to support their operating costs for the following year, with a focus being on sustaining a broad menu of opportunity, grass roots development and inclusivity, whilst also supporting the Navy's ability to compete and win at representative level. The operating costs generally cover the requirements for insurance, National Governing Body subscriptions, membership fees, catering, hospitality, competition fees, IT support, trophies and prizes; effectively the lifeblood and viability of a sports association. This year, we were able to provide grants to Sports Associations of £270k.

Whilst, the delivery of sport is aimed principally at grassroots development and access to a broad menu of opportunity for serving personnel the Navy's Player Pathway and it also supports opportunities to compete at the highest levels. This culminates in an annual RN Sports Awards Ceremony that recognises the successes of individuals, teams and volunteers. In 2018, the RN Sports Team of the Year Award went to Boxing who, following a 34 year unbroken record of wins by the Army, won the inter-Services Championships and also became the UK Armed Forces Team of the Year. With Marine George Crotty ranked in the top 10 at Light Heavyweight in the Commonwealth the Navy Boxing squad has strength in depth with 4 boxers in the top 10 in Great Britain and 7 boxers in the top 10 in England.

The Individual Sports Awards in 2018 went to:

- **Sports Official** - Commander Stephen Mardlin Royal Navy (Chairman RNRM Angling Association and Treasurer RN Squash Racket Association)
- **Sportswoman** - Petty Officer Samantha Alderson (Rugby Union and Rugby League)
- **Sportsman** - Leading Engineering Technician Aaron Nielsen (Basketball)

And exceptionally, in 2018, two special awards and a volunteer award were made to:

- **Special Awards** - Chief Petty Officer Ian Mair (Water Polo) and Steward Brett Wild (the sighted guide to Paralympic GB Skier Millie Knight)
- **Volunteer Award** - Mr Paul Winton MBE (Athletics and Indoor Rowing)

Talented Athletes. Once again those sportsmen/women who are talented enough to compete at national and international level have been supported by a generous grant of £30,000 from BAE Systems with a further £20,000 received from the All England Lawn Tennis Club in recognition of the support provided each year by serving military volunteers at the Wimbledon Tennis Championships.

This has enabled the NSSC to support more than 30 individuals competing in a diverse range of sports at national and international level, including: Boxing, Snowboarding, Triathlon/Duathlon, Cycling, Athletics, Hockey, Judo, Fencing, Paragliding, BJJ/Martial Arts, Obstacle Course Racing, Powerlifting, Para Powerlifting, Indoor Rowing and Water-skiing. All the athletes who are not in full time training with national squads are self-funded and rely on the support of sponsors and donors to help spread the cost of travel and accommodation.

Coaching. Support to coaching remains focused on generating qualified coaches within the Naval Service, but where the standard and expertise cannot be home-grown this support enables the contracting in of external coaches and instructors.

Support for Sports Association Governance. Following the NSSC Board revision of their offer to Sports Associations in 2016 the Director of Operations continues to engage with Sports Associations and 8 associations have signed Service Level Agreements to have the NSSC/RNRMC Finance team conduct their financial transactions, with an additional 4 expressing an interest to take up the offer. The NSSC continues to explore ways and means to ease the administrative burden on association volunteers, which will be a theme at the Sports Association Seminar planned in March 2019.

Plans for Future Periods

FUTURE PLANS – RNRMC – New Funding Model

In 2019, we have launched a new funding model which will be implemented in 2020. The model builds on our existing structure that consists of 4 pathway grant panels and adds 6 new funding programmes to target resource to those areas of greatest identified need.

The new model ensures a full range of services will be provided for all beneficiaries working alongside the Royal Navy and a wide range of charitable organisations.

The Six programmes have been identified as follows:

1. Naval Services Support – Supporting projects identified by the Royal Navy
2. Family Support – Relationship counselling, holiday play provision and social support for serving families
3. Health and Well-being Support – pilot project to support mental health in Portsmouth
4. Communities Support - Helping Hands (combatting loneliness and isolation) – open application
5. Individual Support - Grants for Individuals – support for those suffering hardship or distress
6. Veterans Support – 3-year funding agreements with annual review for projects that support the core benevolence services.

The programme approach signals a closer, collaborative way of working with partners to provide first class services for our joint beneficiaries.

We will procure a Grant Management system that will deliver the 3 core elements of the grant making function:

1. On-line grant application
2. Assessment and award of grants
3. Management, monitoring and evaluation of grants

Research and Evaluation

We will seek opportunities to develop joint research with funding partners particularly with the RNRMCEO's group. Further evidence of need and academic evaluation of funding programmes is planned to demonstrate the impact of our funding.

FUTURE PLANS – The Royal Naval Benevolent Society for Officers (RNBSO), known as The Royal Navy Officers' Charity (RNOC)

The standard regular annual grant currently stands at £2,200 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 member of staff who will help revamp our communications delivery thereby getting our message to more potential beneficiaries.

FUTURE PLANS – RMA – The Royal Marines Charity

Royal Marines charities convergence

Trustees from the boards of the Corps' own charitable organisations committed in 2014 to improving the service to the Royal Marines Family through a "root and branch" transformation of the existing model, to create a single, unified Royal Marines charity that will harness the unique brand of the Royal Marines and truly replicate its ethos. They adopted the following vision:

'To create a single Royal Marines Charity serving the needs of the whole Corps family through enhanced delivery of comradeship, heritage, transition, benevolence and amenities'.

This vision was realised with the merger of the Royal Marines Charitable Trust Fund with The C Group in 2016 to form The Royal Marines Charity, and the merger of The Royal Marines Charity with the Royal Marines Association on 1 April 2019. Progress towards this second merger was systematic, involving due diligence work to quantify and mitigate against identified risks, overseen by a Merger Steering Group comprising trustees from RMA, RNRMC and the RMC.

Envisaged benefits will be:

- The new charity will be the hub of the whole Royal Marines family
- Creation of a Royal Marines charity fit for purpose to support the future needs of the Royal Marines family
- A platform for increased membership of the RMA
- A unified brand and improved profile
- Greater unity of purpose and synergy
- Removal of duplication
- Economies of scale
- Reduced bureaucracy
- Reduced overheads
- More focused fundraising

- More effective grant making and service provision
- Stronger engagement with the whole Corps family
- Improved engagement with other service charities
- Coherent messaging and communications
- Stronger governance
- Greater value for money
- Promotes further consolidation of RM charities

2019 Strategy and Programme

Objectives set by the Board for 2019 incorporated a shared common programme with the Royal Marines Association, with which the Charity merged in April. They focus on proactive/preventative as well as reactive support:

Strategic

1. Enable those we serve to live by the Commando Mindset (restoring, maintaining and enhancing independence, dignity and responsibility) through financial and non-monetary support.
2. Promote and sustain the Royal Marines brand and esprit de corps.
3. Increase and achieve a representative membership mix of Corps Family and supporters, in order that the Charity and Association become the heart of the Corps Family.

Enabling

4. Achieve financial sustainability.
5. Achieve membership sustainability.

A Delivery Programme to enable these objectives to be achieved has been approved by the Board. This programme will ensure that the Charity is proactive and bold, differentiated, sustainable, owned by the Corps Family, recognised by the wider community, and effective – efficient, cost-effective and achieving maximum impact.

In the context of the merger, the Board is reviewing its Health and Well-being, Employment and Education, and Marketing and Communications strategies, all expected to be implemented by Q3 2019. The oversight and direction of outputs will be delegated to formal Board sub-committees: Membership, Corps Amenities, Fundraising, Marketing and Communications, and Health and Well-being. The Board intends to ensure that the Charity continues to offer a 'USP' in providing solutions to genuine recognised need either not available through other state provision or third sector organisations; or solutions delivered more effectively and cost-efficiently through the Charity.

Income generation

Since it is the intention of the Trustees to continue meeting the current need for charitable grants and support, which will normally be £2.3m (plus £2.5m in 2019 for a capital project to construct a Corps Family Support Hub at the Commando Training Centre), the Trustees have agreed to continue implementing the following key objectives:

- Maintain Momentum
 - Further professionalisation of fundraising processes
 - Replace CRM database to assist control of data and segmentation
 - Create a PR function within the current marketing and communications team in order to improve marketing of impact building and thereby strengthen income generation.
- Diversify Income Streams
 - Appointment of a Director of Development to focus on major donor and corporate income generation
 - Further consolidate the foundation in community and events fundraising
 - Review and develop the Royal Marines Shop, which will be acquired through merger with RMA, in order to improve profitability.
- Sustainability
 - Base fundraising on identified future need
 - Identify long term projects requiring support within the Corps and Corps Family

Building of business network

The Board will continue to identify and grow appropriate corporate and business contacts and develop effective and enduring relationships. This will enhance monetary and non-monetary income generation, particularly through the Development Committee involving non-trustee supporters bringing business networks with them, through the West Country 100 group of South-West based businesspeople, and through the establishment of a Scottish Business persons network, alongside improved marketing and stewardship of relationships.

FUTURE PLANS – Naval Service Sports Charity (NSSC)

The NSSC will endeavour to increase the level of grants to sport in the Naval Service by a percentage equivalent to any increase in CPI or to satisfy all reasonable demands in later years. In setting the budget for 2019 and future years the NSSC has made assumptions that the size of the Naval Service, the number of Sports Associations and the numbers accessing sport will not change significantly in the next 5 years.

As with many other charities, there are indications that maintaining income in future years will be challenging. The NSSC will need to continue to work closely with its parent charity, the RNRMC, to ensure that the outcomes of their Fit for Life grants pathway continue to justify the defined level of grants made to the NSSC against competing Quality of Life, Through Life and End of Life bids.

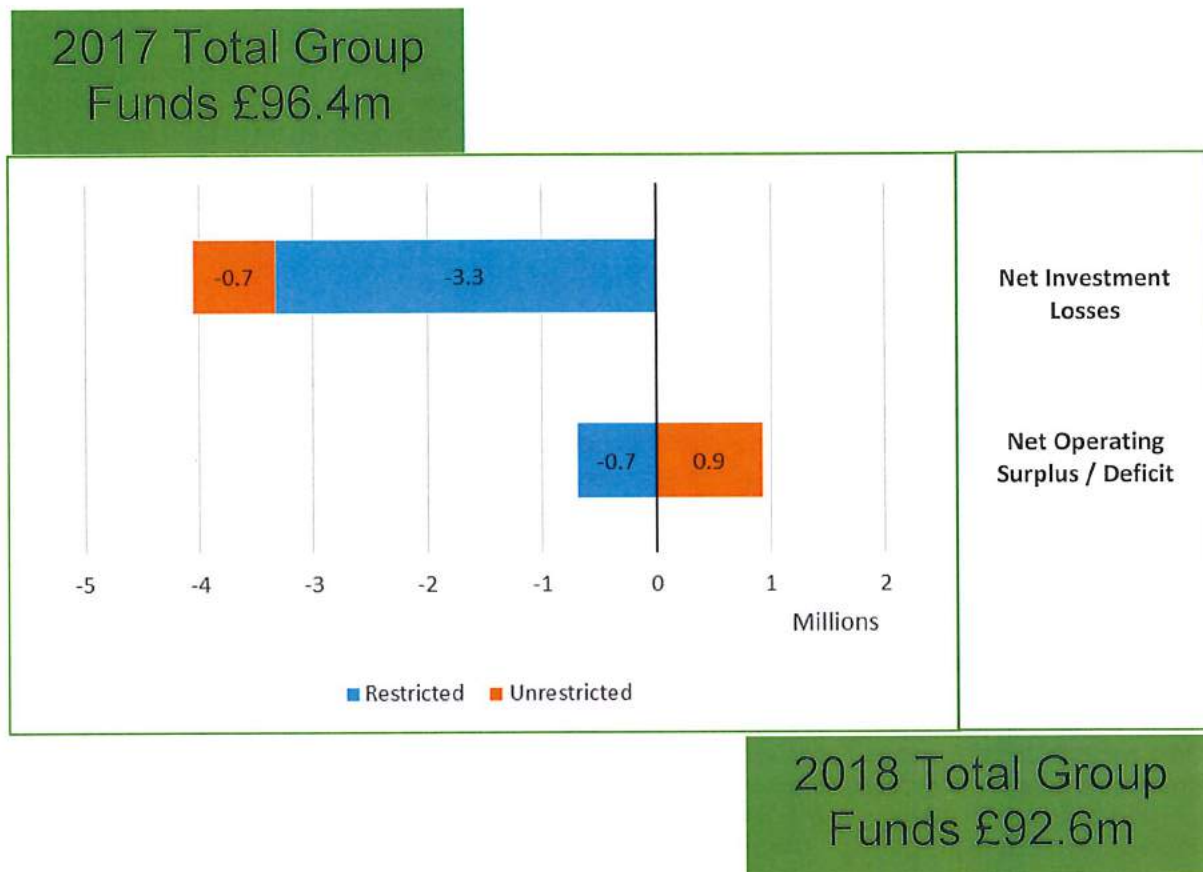
The NSSC continues to support the Naval Service Sports Board by assisting Sports Associations and, where public funding is unable to maintain staffing levels, by employing individuals in support of naval sporting outputs. In 2018, this included the recruitment of a Sports Development Officer for Cricket and Golf and a commitment to recruit a Sports Officer responsible for Sport Delivery, NAVYfit Marketing and Grassroots Development.

FINANCIAL REVIEW 2018

Overview

2018 was a good year for the charity although there were some specific highs and lows; firstly, we were able to maintain the high levels of support given to our beneficiaries. Secondly, the unfavourable investment market saw funds under management decrease by £4m although our performance against benchmark was positive in a difficult year for stock markets.

RNRMC closed the year with total funds valued at £92.6m, a fall of £3.8m in 2018 with the decline being the result of unrealised losses of £4m on investment funds. Concern about Global economic performance caused substantial volatility for World Wide stock markets. This is a partial retrace from the £22m of gains on investment funds over the last 5 years thereby giving back some of these gains of the last few years. Our Group net operating income before gains/losses on investments was a modest £0.2m.



Unrestricted Funds

The Unrestricted Funds dropped slightly from £17.3m to £17.1m as the charity's fundraising campaign around the Drumfork Families Centre project raised significant funds offsetting the unrealised market value losses at the end of the year. If we exclude the net losses on investment assets our net operating income for the unrestricted funds increased by £928k.

Although our total Group funds remain high, we are undertaking work in 2019 to assess how to simplify and potentially release funds in excess of our Group requirements to further support defined need for our beneficiaries.

Income

The total income of the Group reached £13.4m, an increase of £0.4m (+3%) from 2017. The increase in income mainly related to two areas:

1. Donations and Legacies which totalled £7.08m (2017 £7.02m).
2. Grants received from other charities which totalled £2.3m (2017 £2.1m), in particular these funds come from Greenwich Hospital, Nuffield Trust and the RNRM Sports Lottery

Donations & Legacies

- **Payroll Giving** - Through generous donations from serving Naval Personnel, the Navy's Payroll Giving scheme grew by over 7% to £1.04m, breaking the £1m barrier for the very first time since its inception in 2007.
- **Drumfork Appeal Campaign** – Through a targeted campaign to Trusts we raised almost £1m for this Project, which is to refurbish a community centre building in Helensburgh, Scotland supporting Naval beneficiaries and their families from childcare facilities to veteran support groups.
- **Legacies** – Through support from individuals that were engaged with the charity the income from legacies doubled in 2018 from £354k to £711k, in particular there was support for our Royal Marine subsidiary.

Demand again outmatched income and we will continue to develop our income streams such as legacies, major donors and corporate relationships to meet this unmet need.

Expenditure

Total expenditure reduced in 2018 to £13.2m (2017 £14.1m). The main reason for this was that our biggest single grant for the Drumfork Centre was included within the 2017 figures. There were no grants of this size in 2018, although the numbers of applicants continue to rise as both the money received from the LIBOR fines fund ceased as well as Seafarers UK choosing to focus their support on Merchant sailors rather than the Naval service, meaning we have seen more charities approach us for assistance in continuing the funding for projects they run to support our beneficiaries.

Grant Making

- The RNRMC remains committed to supporting its beneficiaries with £8.0m distributed through grant making (2017 £9.7m). This is an increase in grants given in 2017, if the exceptional £2.6m grant to refurbish the Drumfork Club is excluded to enable a like for like comparison.
- Support through the Through Life and Fit for Life pathways in particular saw increases in 2018.
- We do not currently fully fund all of the bids received by our Through Life Pathway and Quality of Life Pathway committees. Our drive to increase our fundraising to meet existing and future need underpins our strategy.

Overheads

- **Cost of raising funds** - whilst we recognise the need to invest in raising our funds and developing our marketing and communications we control this variable cost tightly. In 2018, the Group's costs increased to £3.1m, due to investment in new events which brought additional income and engagement of donors who we hope will support us financially in future years.
- **Investment Fees** - The requirement for transparency in investment fee reporting through MiFID2 has caused a change in the reporting of investment fees in 2018 whereby fees had previously been incorporated into funds pricing. The overall level of fees charged has remained the same it is the presentation in the Statement Of Financial Activity that is different.
- For every pound we spent in 2018 19p went on fund raising remaining well below our ceiling of 25p.

Balance Sheet

Tangible fixed assets have increased as the RNRMC has refurbished two adjacent dilapidated buildings within HMS EXCELLENT to create a fit-for-purpose permanent headquarters for the Charity. At its 10 year anniversary the decision to undertake this project by the Board of Trustees was made for the following reasons:

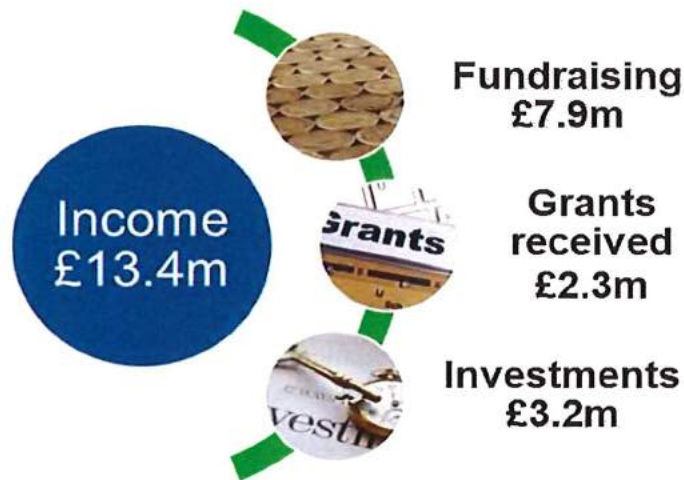
- It is a spend-to-save project with a strong economic case detailed in the business case.
- Productivity savings of £32k will be made annually to cover the amount of capital released for this project, amortised over the term of the lease.
- Fundraising will increase by £50k per annum from 2019 as a result of improved ways of working.
- This will not impact in any way on funds available for grant making.
- Our current premises are not fit-for-purpose with regards to disabled access and adjustments.
- The existing short-term lease has a low threshold for early determination i.e. we can be evicted at almost no-notice with no requirement for explanation other than the Service needs the premises.
- All other options (other MoD sites and commercial alternatives) have been investigated and found less attractive, both financially and in the conduct of our business (proximity to key stakeholder and our beneficiaries).

The newly refurbished buildings will:

- Keep us close to our beneficiaries and stakeholders by being collocated on the same Naval establishment as Navy Command Headquarters in a city with a significant population of serving personnel and their families along with a substantial number of veterans and their families.
- Create the professional environment apposite to the charity given its maturation.
- Be fully able to support all staff and visitors as an appropriate working environment.
- Create an environment that generates a strong culture amongst staff and increases productivity.
- Significantly decrease the likelihood of early determination of the lease.
- Improve the efficiency of our grant making.

Income

Our income sources –



Expenditure

For every pound we spent –



Principal Risks and Uncertainties

The Trustees regularly consider the major risks to which the Charity is exposed and a three-tiered system is used to manage risk.

First tier - regular management by the Senior Management Team

Second tier - quarterly oversight by the Trustees.

Third tier - annual review by the Auditor as part of the audit process.

Trustee reviews are undertaken at each quarterly Board meeting when the mitigation plan for all major risks is assessed against the ability to deliver the Charity's outputs detailed in the annual Delivery Programme. In addition, each quarterly meeting considers detailed reports on the highest risks to ensure sufficient attention and resource is focused on treating or mitigating these risks

In addition, subsidiary charities within the Group make a report to each main Board meeting, including any risks that they wish to elevate to the Group Board.

As Trustees we recognise there remain uncertainties that could affect our risk mitigation strategy through uncontrollable, external factors such as government policy, external focus on the charity sector fundraising profile and the wider economic conditions.

The following areas as those of the highest potential risk if not mitigated:

The Royal Navy and Royal Marines Charity

Risk	Mitigation
<p>Financial which includes:</p> <ul style="list-style-type: none"> • A significant downturn in UK prosperity • Not meeting our Voluntary Income targets • Constraining Corporate and Major Donors • Loss or reduction of funding streams <p>These risks would reduce our capacity to deliver our strategy.</p>	<ul style="list-style-type: none"> • We are continuing to grow our fundraising capability to diversify our income opportunities as much as possible. • We have developed case studies of support provided by those we fund to improve our success at securing major individual and corporate gifts • We have a systematic approach to budget setting and financial planning with detailed monthly monitoring during the year and quarterly forecasts are used to mitigate any budget/income pressures that arise during the year. • We regularly review our investment strategy and its performance managed by appointed external fund managers. • We regularly review our reserves to combat macro-economic as well as other strategic shocks that could impact on the charity.
<p>Governance which includes:</p> <ul style="list-style-type: none"> • Complex Group governance structure and impact of inappropriate activities by subsidiaries • Lack of compliance with legal and regulatory requirements • Breach of data and/or IT breach by external agents • Lack of impact/outcome evidence may lead to sub-optimal block grant making <p>These risks will impact our operational delivery and increase regulatory scrutiny, both of which will impact our ability to deliver our objectives.</p>	<ul style="list-style-type: none"> • We continue to review our legal structure and seek to simplify it where possible. • Activities of subsidiaries are overseen by regular reports to the Group Board and Group Trustees sitting on Subsidiary Boards. • We continue to focus on data protection following the introduction of GDPR regulations in May 2018 and cyber security. • We have developed and implemented a consent to contact campaign and are registered with the Fundraising Regulator to evidence our compliance with the Charities Act 2016. • We have a whistle-blowing policy that is known to employees. There is a robust process for any issues arising from a disclosure to be dealt

	<p>with promptly and properly.</p> <ul style="list-style-type: none"> We are working hard to develop an impact and monitoring capability of the grants we make, including ensuring safeguarding protocols are in place with those we fund.
<p>Reputational which includes:</p> <ul style="list-style-type: none"> Adverse publicity of RN may affect public's perception of the charity's need for support and funds Lack of control of funded organisation's activities <p>These risks would impact our reputation which is absolutely essential to keep key stakeholders, funders and beneficiaries positively engaged in assisting us delivering our outcomes.</p>	<ul style="list-style-type: none"> We work very closely with RN Comms to mitigate the impact of any adverse change to the perception of the RN. We have strong terms and conditions for those outside organisations we fund and we have a dedicated Relationship Director who maintains regular contact with these charities as well as our key stakeholders.
<p>People and Asset Risk which includes:</p> <ul style="list-style-type: none"> Inability to recruit and retain people with the required skills and expertise Not achieving best value from expenditure Our infrastructure not being fit for purpose <p>These risks would reduce our effectiveness to deliver our objectives, reducing our impact.</p>	<ul style="list-style-type: none"> People are our most important asset. We have reviewed and agreed a new reward policy for all our employees this year to improve retention and enhance retention. We carry out an annual staff survey and, from this, develop and implement an action plan to address key issues using a Staff Reference Group. We have introduced a new Performance and Development Report to improve our performance and focus on learning and development. We continue to review the suitability of our financial control measures to reduce the possibility of deliberate or accidental loss. We have moved into a Permanent Headquarters from our temporary offices during 2018 and are now working on plans to refresh our IT infrastructure during 2019.

Royal Navy Officers' Charity

Risk	Mitigation
Loss of key Staff	<ul style="list-style-type: none"> Robust supersession planning. Ongoing review of records, systems, plans and projects. Internal cross desk training.
Disaster recovery and planning	<ul style="list-style-type: none"> Agreed IT recovery plan. Robust data back-up procedures and security measures. Adequate/appropriate insurance cover.

Royal Marines Association - The Royal Marines Charity (including the Royal Marines Sports Association)

Risk	Mitigation
<p>Financial which includes:</p> <ul style="list-style-type: none"> Not meeting our Voluntary Income targets Constraining Corporate and Major Donors Loss or reduction of funding streams <p>These risks would reduce our capacity to deliver our strategy.</p>	<ul style="list-style-type: none"> We are continuing to grow our fundraising capability to diversify our income opportunities as much as possible, focusing particularly on strengthening the support of major individual and corporate donors. We are further developing measurement of whole social value to demonstrate impact to donors, and our marketing function in order better to promote case studies.

	<ul style="list-style-type: none"> • We have a systematic approach to budget setting and financial planning with detailed monthly sequencing and monitoring during the year, with quarterly forecasts used to mitigate any budget/income pressures that arise during the year. • We regularly review our investment strategy and its performance managed by appointed external fund managers.
<p>Governance which includes:</p> <ul style="list-style-type: none"> • Lack of compliance with legal and regulatory requirements • Breach of data and/or IT breach by external agents • Lack of impact/outcome evidence may lead to sub-optimal block grant making <p>These risks will impact our operational delivery and increase regulatory scrutiny, both of which will impact our ability to deliver our objectives.</p>	<ul style="list-style-type: none"> • We have developed and implemented a consent to contact campaign and are registered with the Fundraising Regulator to evidence our compliance with the Charities Act 2016. • We benefit through being hosted on the RNRMC server from the cyber protection provided. • We have a whistle-blowing policy that is known to employees. There is a robust process for any issues arising from a disclosure to be dealt with promptly and properly. • We have developed improved methods of monitoring the impact of grants made to individuals and organisations, including ensuring safeguarding protocols are in place with those we fund.
<p>Reputational which includes:</p> <ul style="list-style-type: none"> • Adverse publicity of RM may affect public's perception of the charity's need for support and funds • Lack of control of funded organisations' activities • Lack of control of membership branches and individual members. <p>These risks would impact our reputation which is absolutely essential to keep key stakeholders, funders and beneficiaries positively engaged in assisting us delivering our outcomes.</p>	<ul style="list-style-type: none"> • We are developing a PR function which will give the capability to respond to reputational challenge, with direct links into Navy Media. • We have expert quarterly reports to the Board of Trustees from through year funded organisations. • We have revised terms and conditions for those outside organisations. • We have revised branch and membership bye-laws with close oversight from a Membership Committee.
<p>Post-merger Reputational and Delivery which includes:</p> <ul style="list-style-type: none"> • Effective merger between RMA and TRMC not being fully implemented leading to failure to deliver envisaged benefits. • Merger implementation obstructing 'business as usual' leading to negative impact on outputs. <p>These risks would impact our reputation and operational delivery, which is absolutely essential to keep key stakeholders, funders and beneficiaries positively engaged in assisting us delivering our outcomes.</p>	<ul style="list-style-type: none"> • We will ensure prompt enactment of Board directions in collaboration with RNRMC, and de-confliction of merger implementation tasks from normal business. • We will ensure continuous focus on the envisaged benefits and their delivery: <ul style="list-style-type: none"> • Unified brand with significant profile; • Reduced overheads, economies of scale, value for money; • Improved synergies across all outputs; • Stronger engagement with stakeholders; • Improved engagement and convergence with other Corps-focused charities; • Reduced bureaucracy; • Improved income generation.

<p>People Risk which includes:</p> <ul style="list-style-type: none"> • Inability to recruit and retain people with the required skills and expertise • Loss of staff who are alienated by the RMA-TRMC merger <p>These risks would reduce our effectiveness to deliver our objectives, reducing our impact.</p>	<ul style="list-style-type: none"> • We have reviewed and agreed a new salary structure for the merged charity, alongside revised role descriptions and improved means of regular whole staff communication to improve retention and enhance retention. • We have introduced a new Performance and Development Report to improve our performance and focus on learning and development. • We have sourced Plymouth and London offices to enable easier access to office working for remote staff.
--	--

The Naval Service Sports Charity

Risk	Mitigation
<p>5 Year Financial Viability. Risk is defined as exposure to poor investment performance and reduced income from either the RNRMC or the Sports Lottery.</p>	<p>The NSSC presents its future grant-making plans and funding need annually to the RNRMC Strategic Funding Committee. The Directors aim for the budget to be balanced year on year within the RNRMC Group Budget Approvals Process but with the NSSC receiving less than the required funding to maintain its grant-making plans in 2017 and 2018, the NSSC Board has necessarily planned to draw down on investment capital. The NSSC monitors measures put in place to define the upper levels of capital drawdown that should not affect future financial viability and mitigate the need to drawdown on investment capital in future years. Medium term work to improve the integrity of sports association 5 year plans to ensure a valid annual grants bid that can be matched by NSSC investment income and RNRMC funding. The RN Sports Lottery maintains sufficient funds to cover NSSC salary and insurances costs for 2 years that mitigates any short term suspension of the lottery.</p>
<p>Investment Management. Risk is defined as funds under active management fail to deliver planned capital growth and income, as result of poor Investment Fund management or a significant downturn in the Stock Market.</p>	<p>The NSSC has delegated management of its investments to the RNRMC Investment Committee. With NSSC investment capital having grown from £3.7m in 2007 to £4.5m in 2018 and investment income growing from £115k in 2011 to £168k in the same period the Board have confidence in the RNRMC Group investment managers, and whilst global and post-BREXIT uncertainty makes it more likely that a stock market realignment may occur the resilience and diversity of the RNRMC Group Portfolio should mitigate the impact.</p>

Custodian Funds

The Royal Navy and Royal Marines Charity also holds other external funds as a custodian. These are funds with similar objects to the charity who don't have access to their own segregated investment portfolio. The capital is held and invested within the main portfolio by Cazenove, with dividends being paid quarterly to the respective funds. Funds are held with a long term view, but can be drawn down upon at any time. More information on the Custodian funds can be found in Note 23 of the statutory accounts.

Public Benefit

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

The trustees confirm that they have complied with the duty in section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission.

The trustees have recognised the two principles of public benefit and believe that the RNRMC meets them, namely:

1. That there must be an identifiable benefit or benefits and they must be clear, related to the aims of the RNRMC and be balanced against any detriment or harm;
 - The objects of the RNRMC are to focus on the relief in need, hardship or distress of disadvantaged persons, provide education and to improve the efficiency of the Naval Service. The range of the benefits deriving from benevolence activities includes the relief of poverty and improving the efficiency of other charities through the grants made. The RNRMC also provides its beneficiaries with facilities for sport and recreation.
2. That the benefit must be to the public or to a section of the public. That the beneficiaries must be appropriate to the aims and, if to a section of the public, must not be unreasonably restricted and that those in poverty must not be excluded from the opportunity to benefit.
 - The potential beneficiary group of the RNRMC is wide and includes not just current serving personnel, but also the vast majority of our beneficiaries who are former Naval Service personnel, families and dependants. Benevolence grants are all based on need demonstrated by the charities that apply for grants and do not duplicate state funding.

In addition, the RNRMC provides public benefit by enhancing and promoting military efficiency, strengthening the moral component of the Royal Navy's and the Royal Marines' esprit de corps, which in turn brings tangible benefits to the public:

- the maintenance of maritime security with regard to the UK home bases and their people;
- the Naval Service's global commitment to the furtherance of world peace and stability;
- the protection of lawful maritime trade and the prevention of unlawful acts upon the high seas;
- the contribution to enhanced morale and retention of Naval Service personnel.

INVESTMENT POLICY AND PERFORMANCE

Investment Oversight

Cazenove Capital Management are responsible for the investment management of the Group's funds. This arrangement gives strength to the Group with flexibility and economies of scale.

In 2018 Cazenove held 4 separate portfolios for funds within the Group:

1 - RNRMC (main portfolio)	2 - RNRMC Dependants' Fund *	3 - The Royal Marines Charity	4 - RN Officers' Charity
<ul style="list-style-type: none"> •RNRMC unrestricted funds •RNRMC restricted funds (unincorporated charities) •Naval Service Sports Charity •Custodian Funds •Private Equity fund (in distribution mode) 	<ul style="list-style-type: none"> •Merged with the main portfolio in Q1 2018 	<ul style="list-style-type: none"> •Separate fund managed by same Cazenove team 	<ul style="list-style-type: none"> •Separate fund managed independently by a Cazenove team

* It was decided at the end of 2017 that the requirement to hold RNRMC Dependants' Funds separately in Portfolio 2 was no longer a relevant requirement and it was agreed the funds should be merged into the main portfolio. This was completed in the first quarter of 2018.

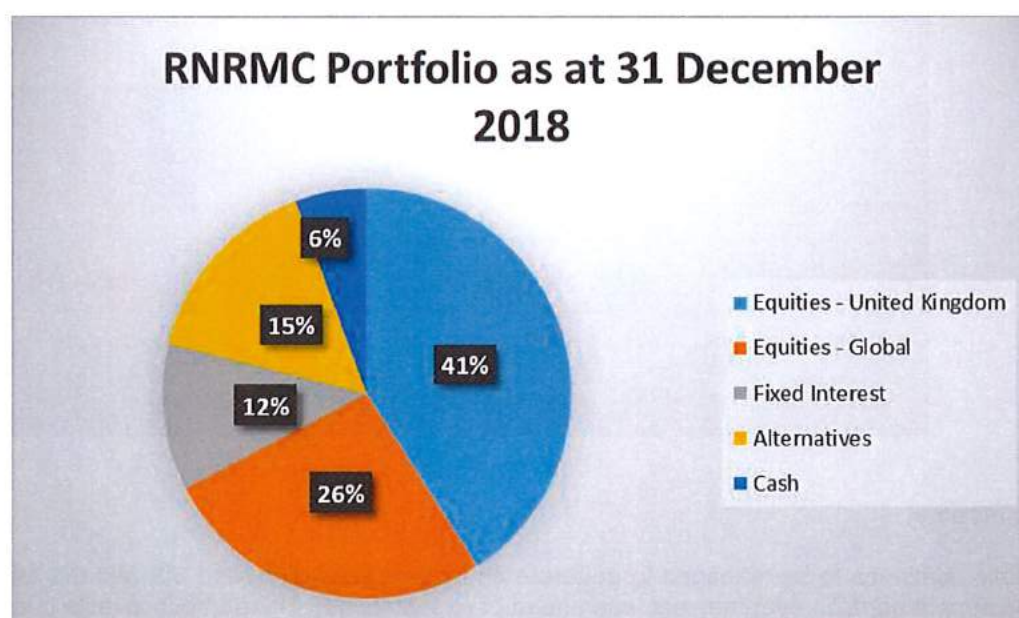
The oversight of the management of the RNRMC, NSSC and Royal Marines Association - The Royal Marines Charity's investments lies with the Investment Committee (IC). The IC meets biannually and is responsible for monitoring the performance of investment strategies approved by the respective Boards. Two independent investment advisors, Mr William Reid, of Quilter Cheviot Investment Management and Mr Alexander Crooke, of Janus Henderson Investors advise the IC. Every 5 years a formal review of the Investment Manager's performance over the period is to be carried out. The next formal review is due in 2019.

Investment Policy & Strategy

The Investment Strategy and Investment Policy for the Group IC are regularly reviewed and updated as necessary, most recently in March 2018. The overall investment objective of the RNRMC is "To preserve and enhance the real capital value of the portfolio whilst still generating sufficient income to fund current commitments".

The policy's aim is for the Investment Managers to produce a total return of "inflation plus 3%" over the long term with a constraint on volatility. In this context, the IC sets tactical ranges for the various asset classes. The table and pie chart below show the RNRMC (box one) main investment portfolio values as at 31 December 2018 along with the tactical ranges. These figures include both Custodian Funds as well as NSSC Investment funds in the balance.

Description	Market Value £	Portfolio	Strategy	Strategic Ranges
Equities	40,650,383	67.4%	70.0%	50-80%
United Kingdom	24,676,411	40.9%	50.0%	35-65%
Overseas Equities	15,973,972	26.5%	20.0%	5-35%
Bonds	6,984,484	11.6%	15.0%	10-30%
United Kingdom	6,984,484	11.6%	15.0%	0-15% Gilt / 0-15% Corp
Alternatives	9,304,030	15.4%	13.0%	0-25%
Property	8,105,263	13.4%	8.0%	0-15%
Infrastructure	1,198,767	2.0%	5.0%	0-10%
Cash	3,407,307	5.6%	2.0%	0-15%
Total	60,346,204	100.0%	100.0%	100.0%



More information on the Charities Investments can be found in Note 20 of the statutory accounts.

Investment Restrictions

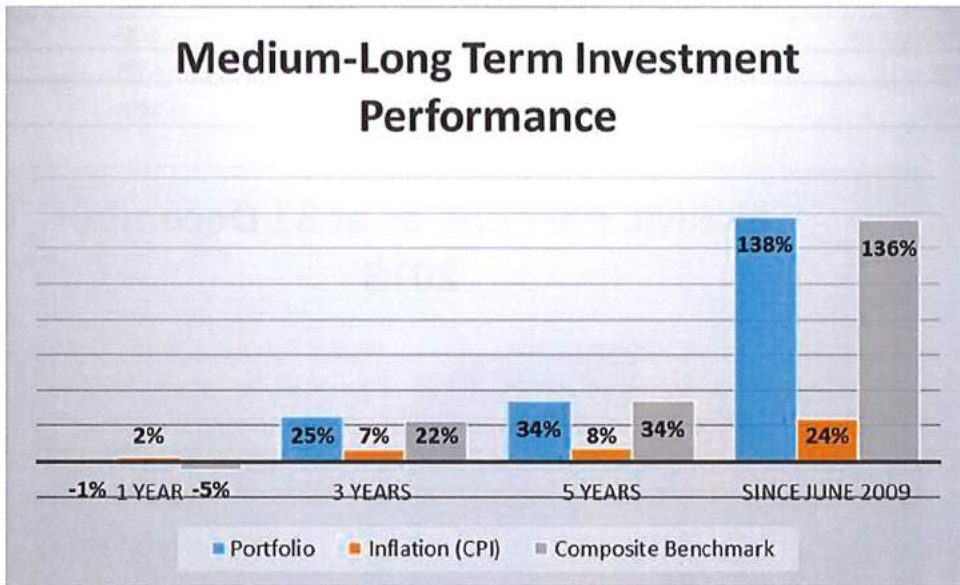
The Investment Manager is appointed with discretionary powers of investment under the Trustee Act 2000 and is subject to the terms of their investment management agreement. The trustees require that the Investment Manager pays attention to the standard investment criteria, namely the suitability of each class of investment and the need for diversification as appropriate to the circumstances of the various portfolios. The trustees have also set specific investment limits and restrictions for each portfolio, as well as appropriate benchmarks for their performance comparison.

The Trustees have considered whether they should impose any ethical restriction on the investment of the RNRMC Group assets by their investment managers. In doing so, they have concluded that they would not wish to restrict the investment managers ability to achieve their primary objective of seeking the best returns within the limits of the Group’s overall investment policy. However, it is likely to be in the Group’s long-term interests that its investments favour those companies that pursue ethical and socially responsible policies rather than those which do not. To that end, they have instructed the managers that they should consider this position when choosing investments for the Group accordingly.

Investment Performance

2018 was characterised by a number of issues affecting global investment markets. Within the political sphere, populism and intra-party political tensions across the US, EU and UK dominated headlines in the second quarter while ongoing postulating between the US and China over trade tariffs caused concern given the respective size of both nations. As the year progressed, a strengthening US dollar became a headwind to Emerging Markets (given the preponderance of dollar-denominated debt). The balancing act of Central Banks looking to unwind extraordinary monetary policies while trying not to upset economic growth resulted in greater market volatility, seemingly catching those investors used to a calmness of market returns (as per 2017) unaware – October saw the sharpest one-month decline for global equities since 2012 and over the year the S&P 500 index (US) gained greater than 2% on 16 separate trading days – the most since 2011.

Over the year to 31 December 2018, Total Return on the RNRMC Investment Fund was -1.3% while the composite benchmark returned -4.9%. In the same period, the FTSE All Share Index fell 9.5% while overseas equity markets declined 3.8% (as measured by the MSCI AC World Index (net dividends reinvested)). UK government bonds (gilts) returned +0.6%, whilst cash returns have again been minimal given a UK base rate close to zero. Property was the best performing asset class in the portfolio, with the funds held producing mid-high single digit total returns. Active asset allocation and investment selection remain important considerations in this more volatile environment.



Portfolio income

The portfolio continues to be managed to generate an income yield of around 3% and the total income generated by the investment portfolio over the year was ahead of expectations. The portfolio invests in a diversified spread of assets incorporating equities, bonds, property and cash, which is designed to maintain the real capital value whilst generating a stable and sustainable level of income to fund grant-making. As a result, the portfolio has a lower projected level of volatility (or risk) than an all-equity portfolio.

Reserves Policy

Currently the Trustees have set the following reserves policy:

“To set aside sufficient free reserves so as to be able to meet or smooth out the unexpected fluctuations in charitable expenditure or shortfall in income so as to be able to meet the increasing needs of current beneficiaries and remain sustainable for current and future generations, as well as meeting the needs of the wider Group entities”.

Although this “time based” reserves policy remains in place for 2018, the Trustees have instructed a review of both the risk register (for key top down risks) and the basis on which the reserves should be calculated going forward. This work will be completed in 2019 and will result in a risk based reserves policy for 2019 onwards.

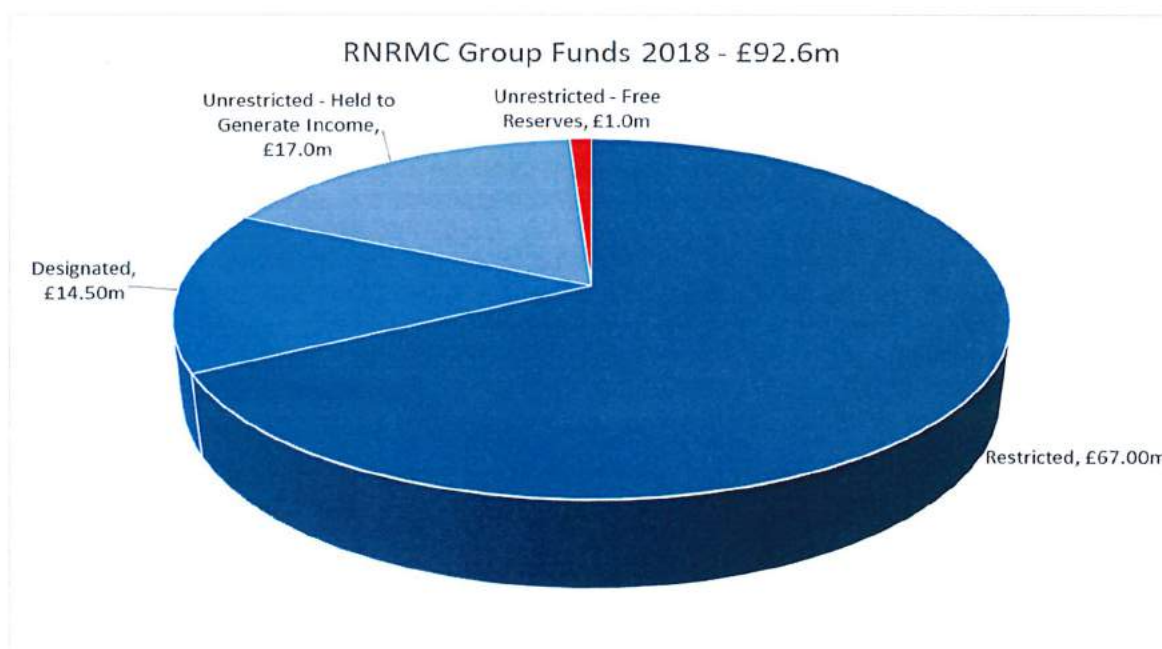
Current free reserves

The Charity currently has a very limited free reserve. The RNRMC Trustees, as parent in the Group structure, have agreed to hold its free reserves to a level between three to six months of its own expenditure, which would require a liquid reserve of between £0.83m and £1.65m.

At the year end the liquid reserves were £1.07m (2017: £0.95m) an increase of £120k on 2017. This reserve is within the acceptable range as it equates to 3.1 months expenditure (see Note 38).

Current Group Funds Breakdown

A breakdown of the Group’s funds can be found below. The red section is the available free reserves of the group, the detail of how this is calculated is below the diagram.



As the national charity of the Royal Navy we provide the “Strategic Reserve” against future needs and we are committed to protecting the reserves for decades to come. Our reserves are held as restricted funds for specific purposes, designated funds for specific projects and general funds as a contingency reserve to cover our operating costs for three to six months during uncertain or exceptional times to ensure continuity of service, protecting our vulnerable beneficiaries and staff from downturns in income.

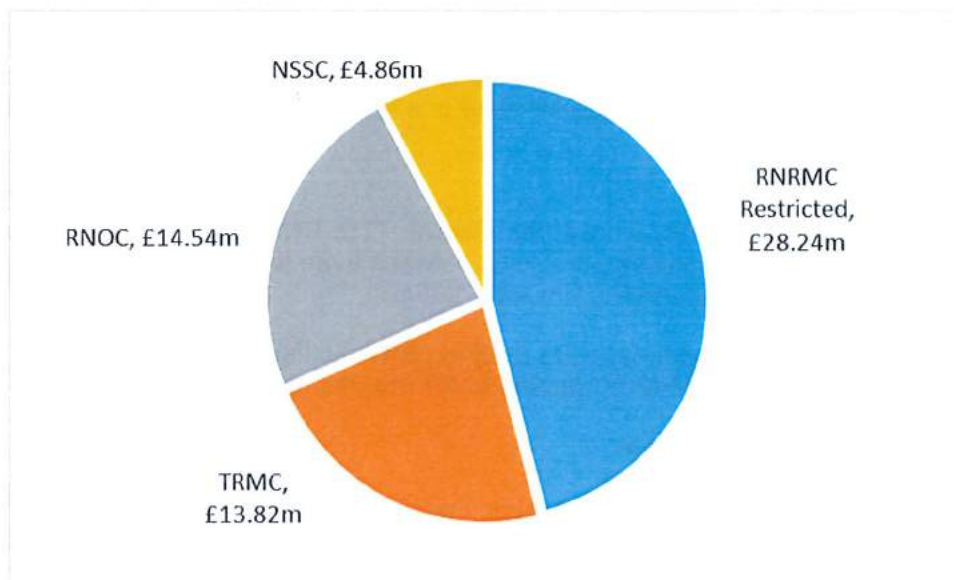
The reserves of the RNRMC are complex. The restructure and merger with related charities has led to the amalgamation of previously separate funds into a more integrated and manageable organisational structure. Each entity within the Group has their own risks policy in line with their more specific strategic objectives that feed into that of the RNRMC. However, the Board have created a Group policy which provides guidance towards a structure for all funds within the RNRMC to follow.

Calculation of Free Reserves

- **Total Group Funds** at the yearend amounted to £92.56m

The following funds are not freely available to spend and need to be removed from the available funds calculation:

- **Restricted Funds** - £61.46m are made up of –



- **Permanently Endowed Funds** - £0.66m (see Note 25)
- **Designated Funds** - £13.35m of which –
 - **£11.9m** of these funds are reserved to generate income for major amenity grants funded through the Quality of Life (QoL) pathway which supports the serving community. This is a historical obligation created when the RNRMC was established which supports the original decision to place the Fleet Amenities Fund and the Sailors' Fund into the unrestricted fund of the RNRMC Fund.
 - **£1.45m** relates to a designation for specific projects funded from general reserves or through "LIBOR" fines funds that are to be used either to primarily support the families of the fallen and wounded, injured and sick veterans of the Afghanistan campaign or to support the major projects agreed in 2017. It is expected that the majority of these designated funds will be spent within the next few years.
- **Investments and tangible fixed assets** - £16.02m are funds are held for the longer term in order to generate an income stream for the charity and remain sustainable for future generations.
- **Free reserves left for the Group are therefore £1.07m or 1.1% of total Group Funds.**

Because of the complex nature of the Group's reserves, the Trustees receive feedback from the Group charities on their current holdings, current activity and future plans, and regularly monitor the reserves at Group level both through the combined FRAC Committee and at full Board meetings.

Volunteering and Fundraising

The RNRMC and RMA –The Royal Marines Charity both have established fundraising programmes across similar income streams.

Our core income generating streams are:

- **community fundraising** – we have a presence at Open Days at all major Naval establishments, Bournemouth Air Festival and at Families Days and Ship homecomings nationwide. In 2019 we have extended our programme of event attendance to include County Shows and Boat Shows.
- **regular giving** (largely payroll giving or PRG) – the RNRMC administers the Platinum award-winning Royal Navy Payroll Giving Scheme. A separate scheme exists for the Royal Marine cadre. In 2019 we have worked with the Royal Navy to thank the 15,838 Naval Service personnel who donated to the RNRMC within the previous 12 months. In 2018 we introduced a Civilian Payroll Giving Scheme.
- **individual giving** – This includes In Memoriam gifts, Gifts in Celebration, Make a Will Fortnight and Foreign Coin collections.
- **major partnerships (individual and corporate)** – From the corporate friends scheme *The Bridge Partnership* and *Commando Challenge to Nelson's Company*, we have established affinity and stewardship programmes for individual and corporate supporters.
- **trusts and foundations** –We enjoy longstanding Trust and Foundation support by the likes of the Nuffield Trust and Royal Edinburgh Tattoo (Charities) Trust and in 2018 received funding for both the Drumfork Community Centre and Family Support Hub Lympstone from a number of Charitable Trusts and Foundations.
- **legacies** – both RNRMC and RMA The Royal Marines Charity are fortunate enough to receive pecuniary and residuary legacy bequests.
- **events** – Major events are programmed throughout the year, including Beating Retreat, Mountbatten Festival of Music, the RM London Guildhall Dinner and Trafalgar Night.
- **trading** – The RM Shop and RMRMC event merchandise help to promulgate the Charities' brand.

Acknowledgements

We Would Like To Thank You

None of the work of the Group to support sailors, marines and their families would be possible without the kindness and generosity of our donors, commitment of our volunteers and dedication of our fundraisers. We are enormously grateful to all those who contributed their time, effort and money. It is not possible to thank everyone here, but we would like to pay special tribute to all the Naval Service personnel in Ships, Squadrons, Commando Units and establishments for all the support they gave to their Charities throughout 2018.

Leave a Gift in your Will

Every time someone leaves a gift to the Royal Navy and Royal Marines Charity in their Will, they help us to ensure that the United Kingdom's Naval family are supported, for life. Every gift, of every size, has a lasting impact. We are indebted to all those who choose to support us in this way.

If you are moved to support the Royal Navy and Royal Marines Charity, the most wonderful gift you could ever make to support the nation's sailors, marines and their families won't cost you a penny in your lifetime, but will help us transform lives in the future and for generations to come.

To start a conversation about leaving a gift in your Will, please contact Alasdair Akass, who'll be happy to help you. alasdair.akass@rnrmc.org.uk or 023 9387 1538.

Statement of Trustees' Responsibilities

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

Company law requires the trustees to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- comply with applicable accounting standards, including FRS 102, subject to any material departures disclosed and explained in the financial statements;
- state whether a Statement of Recommended Practice (SORP) applies and has been followed, subject to any material departures which are explained in the financial statements
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 as amended by The Charities Accounts (Scotland) Amendment (No. 2) Regulations 2014.

They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all the 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.

The Trustees' Annual Report is approved by the trustees of the Charity. The Strategic Report, which forms part of the Annual Report, is approved by the trustees in their capacity as directors in company law of the Charity.

Signed on behalf of the Trustees on ...18th July 2019.....

.....
Mr Bill Thomas
Chairman

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF
THE ROYAL NAVY AND ROYAL MARINES CHARITY**

Opinion

We have audited the financial statements of The Royal Navy and Royal Marines Charity for the year ended 31 December 2018 which comprise the Group Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group 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 (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland'.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2018 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 (as amended) and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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 charitable company 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 group's and parent charitable company'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.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF
THE ROYAL NAVY AND ROYAL MARINES CHARITY**

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the trustees' annual report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the trustees' annual report.

We have nothing to report in respect of the following matters where the Companies Act 2006 or the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 34, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 group and parent charitable company'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 group or parent charitable company 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 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you in accordance with regulations made under those Acts.

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.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF
THE ROYAL NAVY AND ROYAL MARINES CHARITY**

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 group and parent charitable company'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 group and parent charitable company'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 group or parent charitable company 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit report.

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

Use of this report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters which we are required to state to them in an auditor's report addressed to them 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 charitable company and charitable company's members as a body, and the charity's trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

N.F. Inta LLP

Neil Finlayson (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

Date: *29 July 2019*

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

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	Unrestricted Funds £	Restricted Funds £	Permanent Endowment Funds £	Total Funds 2018 £	Total Funds 2017 £
INCOME & ENDOWMENTS						
Donations and legacies	4	2,230,105	4,851,720	-	7,081,825	7,024,872
Other trading activities		829,416	-	-	829,416	713,136
Investment income	5	1,028,072	2,154,149	-	3,182,221	3,212,283
Charitable activities	6	4,087,593 70	7,005,869 2,333,888	- -	11,093,462 2,333,958	10,950,291 2,066,460
Total operating income		<u>4,087,663</u>	<u>9,339,757</u>	<u>-</u>	<u>13,427,420</u>	<u>13,016,751</u>
EXPENDITURE						
Raising funds	7					
Investment management fees		179,289	326,818	-	506,107	259,328
Fundraising costs		1,488,902	1,096,678	-	2,585,580	2,297,340
Total cost of raising funds		<u>1,668,191</u>	<u>1,423,496</u>	<u>-</u>	<u>3,091,687</u>	<u>2,556,668</u>
Charitable activities	8 & 9					
Through Life Pathway		875,043	4,626,676	-	5,501,719	4,428,702
Quality of Life Pathway		444,592	2,884,291	-	3,328,883	6,061,196
Fit for Life Pathway		142,343	896,926	-	1,039,269	801,084
End of Life Pathway		29,732	205,058	-	234,790	240,168
Total charitable expenditure		<u>1,491,710</u>	<u>8,612,951</u>	<u>-</u>	<u>10,104,661</u>	<u>11,531,150</u>
Total operating expenditure		<u>3,159,901</u>	<u>10,036,447</u>	<u>-</u>	<u>13,196,348</u>	<u>14,087,818</u>
Net operating income		927,762	(696,690)	-	231,072	(1,071,067)
Net gains/(losses) on investment assets		(717,594)	(3,333,618)	-	(4,051,212)	3,400,212
Net income/(expenditure)	15	210,168	(4,030,308)	-	(3,820,140)	2,329,145
Gross transfers between funds	16	(757,172)	757,172	-	-	-
Net movement in funds		<u>(547,004)</u>	<u>(3,273,136)</u>	<u>-</u>	<u>(3,820,140)</u>	<u>2,329,145</u>
Total funds brought forward	25	30,991,911	64,737,016	655,649	96,384,576	94,055,431
Total funds carried forward	25	<u>30,444,907</u>	<u>61,463,880</u>	<u>655,649</u>	<u>92,564,436</u>	<u>96,384,576</u>

The Charity has no recognised gains or losses for the year other than as detailed above.

The net movements in the Charity's funds for the year arise from the Charity's continuing activities.

The Notes on pages 41 to 70 form part of these accounts.

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
BALANCE SHEET – GROUP AND CHARITY
AS AT 31 DECEMBER 2018**

	Note	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
Fixed assets					
Intangible assets	18	17,611	52,673	13,868	9,074
Tangible assets	19	824,874	254,633	814,934	248,665
Investments	20	86,439,793	90,674,557	57,304,589	59,617,599
		<u>87,282,278</u>	<u>90,981,863</u>	<u>58,133,391</u>	<u>59,875,338</u>
Current assets					
Asset held for sale	19	213,000	-	213,000	-
Stock	21	107,033	117,723	-	-
Debtors	22	1,352,820	1,942,629	1,015,306	1,807,047
Cash at bank and in hand		9,381,594	8,020,277	5,505,678	5,241,732
		<u>11,054,447</u>	<u>10,080,629</u>	<u>6,733,984</u>	<u>7,048,779</u>
Liabilities					
Creditors falling due within one year	23	(5,772,289)	(4,677,916)	(5,533,108)	(4,793,513)
Net current assets		<u>5,282,158</u>	<u>5,402,713</u>	<u>1,200,876</u>	<u>2,255,266</u>
Total assets less current liabilities		<u>92,564,436</u>	<u>96,384,576</u>	<u>59,334,267</u>	<u>62,130,604</u>
Net assets		<u>92,564,436</u>	<u>96,384,576</u>	<u>59,334,267</u>	<u>62,130,604</u>
Accumulated funds					
Permanent endowment	25	655,649	655,649	655,649	655,649
Restricted funds	25	61,463,880	64,737,016	28,233,711	30,571,995
Unrestricted funds	25	17,094,737	17,255,988	17,094,737	17,167,037
Designated funds	25	13,350,170	13,735,923	13,350,170	13,735,923
Total accumulated funds		<u>92,564,436</u>	<u>96,384,576</u>	<u>59,334,267</u>	<u>62,130,604</u>

The financial statements on pages 38 to 70 were approved by the trustees on and signed on their behalf by:

.....
Mr Bill Thomas
Chairman

18th July 2019

.....
Mr Mark Lewthwaite
Chairman of the Finance, Risk
and Audit Committee

Company registration number 6047294

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flow/(outflow) from operating activities		
Net cash (used in) operating activities	(1,154,008)	(2,043,774)
Cash flows from investing activities		
Investment income and interest received	3,182,221	3,212,283
Proceeds from disposal of fixed asset investments excluding endowment funds	29,185,776	17,904,521
Acquisition of fixed asset investments excluding endowment funds	(29,002,224)	(19,814,308)
Payments to acquire tangible fixed assets	(837,188)	(3,109)
Payments to acquire intangible fixed assets	(13,260)	(740)
	<u>2,515,325</u>	<u>1,298,647</u>
Net increase/(decrease) in cash and cash equivalents	1,361,316	(745,127)
Cash and cash equivalents at beginning of year	8,020,277	8,765,404
Cash and cash equivalents at end of year	<u>9,381,594</u>	<u>8,020,277</u>

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

	2018 £	2017 £
Net (expenditure)/ income including endowments	(3,820,140)	2,329,147
Adjustments for:		
Depreciation charges	32,748	27,765
Amortisation	48,322	59,151
Revaluation of tangible fixed assets	21,199	(27,815)
Net losses/ (gains) on investments	4,051,212	(3,400,212)
Investment income	(3,182,221)	(3,212,283)
Decrease in stock	10,690	1,359
Decrease/ (increase) in debtors	589,809	(335,301)
Increase in creditors	1,094,373	2,514,417
Net cash (used in) operating activities	<u>(1,154,008)</u>	<u>(2,043,774)</u>

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES

a) Basis of preparation

The financial statements comprise the charity and its subsidiaries under Charity Commission Schemes or Uniting Directions.

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of 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 Charitable Company and its subsidiaries are a public benefit group 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), the Companies Act 2006 under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), the Charities Act 2011 and Charities Accounts (Scotland) Regulations 2006 as amended by The Charities Accounts (Scotland) Amendment (No. 2) Regulations 2014.

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

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 charitable group 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 charitable group'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 charitable group has adequate resources to continue in operational existence for the foreseeable future. The charitable group therefore continues to adopt the going concern basis in preparing its financial statements.

c) Group financial statements

These financial statements consolidate the results of the Charity and RNRMC Enterprises Limited, its wholly owned trading subsidiary, the Royal Naval Benevolent Society for Officers, as the Charity is a corporate trustee with a right of veto, the Naval Service Sports Charity, as the Charity is the sole member, and RMA - the Royal Marines Charity (including its own subsidiaries, The Royal Marines Sports Association and TRMC Enterprises Limited), as the sole member from 1 April 2011, on a line by line basis. A separate Statement of Financial Activities and Income and Expenditure Account are not presented for the Charity itself as the Charity has taken advantage of the exemptions afforded by section 408 of the Companies Act 2006.

The corporate charity's financial statements aggregate its own results with those subsidiaries where the Charity Commission has issued a Uniting Direction for the purposes of accounting. The subsidiaries whose results are aggregated with those of the charitable company are:

- Subsidiary 1 - The Naval Service Dependents' Fund (NSDF)
- Subsidiary 2 - The Naval Service Benevolence Fund (NSBF)
- Subsidiary 3 - The Fleet Air Arm Benevolent Trust (FAABT)

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES (continued)

Subsidiary 4 - The Naval Service Amenity Fund (NSAF)
 Subsidiary 6 - The Naval Service Prizes and Awards Fund (NSPAF)
 Subsidiary 7 - Queen Alexandra's Royal Naval Nursing Service Trust Fund (QARNNS)
 Subsidiary 8 - Plymouth Royal Naval Aid Fund (PRNAF)
 Subsidiary 9 - The Sir Donald Gosling Maritime Reserve Amenity Fund (DGMRF)
 Subsidiary 10 - Naval Medical Compassionate Fund (NMCF)

Although subject to a Charity Commission Uniting Direction, the results of Subsidiary 5 - The Naval Service Sports Charity (NSSC) are not aggregated with those of the charitable company because the NSSC is a limited company and is therefore required to be treated on a consolidated basis.

d) 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.

Investment income is received net of investment management fees but is grossed up in the accounts for investment management fees.

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) 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.

g) Irrecoverable VAT

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

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES (continued)

h) 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.

i) Costs of raising funds

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

j) Charitable activities

Costs of charitable activities include grants payable and other costs directly associated with providing sports, amenities, prizes and awards, dependants' grants or benevolence to beneficiaries and an apportionment of overhead, support and governance costs.

k) Governance costs

Governance costs comprise all costs involving the public accountability and running 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.

l) Pension costs and other post-retirement benefits

The charity operates a defined contribution pension scheme. Contributions payable are charged to the Statement of Financial Activities in the period to which they relate.

m) Tangible fixed assets

Individual fixed assets costing £500 or more are capitalised at cost.

Freehold land and buildings are included in the financial statement at open market value, as determined periodically by professional valuers. They are not depreciated as their residual values are not materially different from carrying values included in the accounts.

Tangible fixed assets are depreciated on a straight line basis over their estimated useful economic lives as follows:

Freehold property	-	over 50 years straight line
Computer and office equipment	-	over 3 years straight line
Leasehold improvements	-	over the life of the lease

At the end of each reporting period, the residual values and useful lives of assets are reviewed and adjusted if necessary. In addition, if events or change in circumstances indicate that the carrying value may not be recoverable then the carrying values of tangible fixed assets are reviewed for impairment.

n) Intangible fixed assets

Intangible fixed assets are amortised on a straight line basis over their estimated useful economic lives as follows:

Website	-	over 3 years straight line
---------	---	----------------------------

At the end of each reporting period, the residual values and useful lives of assets are reviewed and adjusted if necessary. In addition, if events or change in circumstances indicate that the carrying value may not be recoverable then the carrying values of tangible fixed assets are reviewed for impairment.

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES (continued)

o) Fixed asset investments

Investments are initially measured at their cost and subsequently measured at their fair value at each reporting date. Fair value is based on their bid value at the balance sheet date without deduction of the estimated future selling costs.

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.

p) Realised gains and losses

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 original cost. 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 not separated in the Statement of Financial Activities.

q) Stock

Stock of goods for resale is stated at the lower of cost and net realisable value.

r) Heritage assets

The Charitable Group is the owner of a collection of Paintings, Silverware and other items. Many precious works are contained within messes across the Corps, which is housed and managed on behalf of the Charity by Serving Royal Marines within the Corps Secretariat. The collection is considered irreplaceable and as such it is not possible to attribute a reliable cost or value to it. It is additionally considered that the process of obtaining valuations of the collection would be disproportionate to any public benefit that might be derived and that it is impractical to apply conventional valuation techniques to the collection, due to the uniqueness of its nature.

s) Funds structure

The Charity has one permanent endowment, which requires the trustees to invest the capital in perpetuity; the income from this fund is wholly unrestricted.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor. The funds of the subsidiaries noted under 1c) above are treated as restricted funds.

Unrestricted funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects.

Designated funds comprise those unrestricted funds where the trustees, at their discretion, have created a fund for a specific purpose.

t) 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.

u) Financial Instruments

The charity 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 charity's balance sheet when the charity 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

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES (continued)

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 22 and 23 for the debtor and creditor notes.

v) Employee benefits

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

w) Critical accounting estimates and areas of judgement

In preparing financial statements it is necessary to make certain judgements, estimates and assumptions that affect the amounts recognised in the financial statements.

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.

2. LEGAL STATUS OF THE CHARITY

The Charity is a company limited by guarantee and has no share capital. The members of the charity are the trustees listed on page 1. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

3. FINANCIAL ACTIVITIES OF THE CHARITY

The financial activities shown in the consolidated statement includes those of the RNRMC and its wholly owned trading subsidiary RNRMC Enterprises Limited; the RNOG, a charity in which the RNRMC is a trustee with the right of veto; the NSSC, a charitable company of which the RNRMC is the sole member; and RMA -TRMC (including its subsidiaries, RMSA and TRMC Enterprises Limited) a charitable company of which the RNRMC is the sole member.

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

A summary of the financial activities undertaken by the RNRMC and its subsidiaries as defined by note 1c, that are the subject of Charity Commission Schemes or Uniting Directions, is set out below:

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment Funds £	Total Funds 2018 £	Total Funds 2017 £
INCOME & ENDOWMENTS					
Donations and legacies	2,773,854	787,562	-	3,561,416	4,337,675
Investment income	1,028,072	1,010,738	-	2,031,810	2,077,471
	<u>3,801,926</u>	<u>1,798,300</u>	-	<u>5,600,226</u>	<u>6,415,146</u>
Charitable activities	70	1,945,061	-	1,945,131	1,648,660
Total operating income	<u><u>3,801,996</u></u>	<u><u>3,743,361</u></u>	<u><u>-</u></u>	<u><u>7,545,357</u></u>	<u><u>8,063,806</u></u>
EXPENDITURE					
Raising funds					
Investment management fees	179,289	176,056	-	355,345	178,545
Fundraising costs	1,034,063	10,133	-	1,044,196	1,280,896
Total cost of raising funds	<u>1,213,352</u>	<u>186,189</u>	<u>-</u>	<u>1,399,541</u>	<u>1,459,441</u>
Charitable activities					
Through Life Pathway	829,310	2,593,144	-	3,422,454	2,727,548
Quality of Life Pathway	660,352	2,183,787	-	2,844,139	4,881,005
Fit for Life Pathway	370,474	-	-	370,474	284,575
End of Life Pathway	-	180,062	-	180,062	205,723
Total charitable expenditure	<u>1,860,136</u>	<u>4,956,993</u>	<u>-</u>	<u>6,817,129</u>	<u>8,098,851</u>
Total operating expenditure	<u><u>3,073,488</u></u>	<u><u>5,143,182</u></u>	<u><u>-</u></u>	<u><u>8,216,670</u></u>	<u><u>9,558,292</u></u>
Net operating expenditure	728,508	(1,399,821)	-	(671,313)	(1,494,482)
Net gains/(losses) on investment assets	<u>(717,594)</u>	<u>(1,407,430)</u>	<u>-</u>	<u>(2,125,024)</u>	<u>2,150,214</u>
Net income/(expenditure)	10,914	(2,807,251)	-	(2,796,337)	655,732
Gross transfers between funds	(468,967)	468,967	-	-	-
Net movement in funds	<u>(458,053)</u>	<u>(2,338,284)</u>	<u>-</u>	<u>(2,796,337)</u>	<u>655,732</u>
Total funds brought forward	30,902,960	30,571,995	655,649	62,130,604	61,474,872
Total funds carried forward	<u><u>30,444,907</u></u>	<u><u>28,233,711</u></u>	<u><u>655,649</u></u>	<u><u>59,334,267</u></u>	<u><u>62,130,604</u></u>

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. VOLUNTARY INCOME

Year to 31 December 2018

	Unrestricted 2018 £	Restricted 2018 £	Endowment 2018 £	Total 2018 £
Other donations	851,673	3,702,919	-	4,554,592
Payroll giving	1,040,637	-	-	1,040,637
RM Corps subscriptions	-	537,808	-	537,808
Legacies	177,743	533,028	-	710,771
Other voluntary income	160,052	77,965	-	238,017
	<u>2,230,105</u>	<u>4,851,720</u>	<u>-</u>	<u>7,081,825</u>

Year to 31 December 2017

	Unrestricted 2017 £	Restricted 2017 £	Endowment 2017 £	Total 2017 £
LIBOR 2017	-	1,500,000	-	1,500,000
Other donations	1,189,046	2,352,438	-	3,541,484
Payroll giving	966,564	-	-	966,564
Voluntary Sports Subscription Scheme	-	26,344	-	26,344
RM Corps subscriptions	-	543,015	-	543,015
Legacies	22,500	331,277	-	353,777
Other voluntary income	33,969	37,219	-	71,188
	<u>2,212,079</u>	<u>4,812,793</u>	<u>-</u>	<u>7,024,872</u>

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. INVESTMENT INCOME

Year to 31 December 2018

	Unrestricted 2018 £	Restricted 2018 £	Endowment 2018 £	Total 2018 £
Dividends – UK equities	407,593	935,312	-	1,342,905
Dividends – non UK equities	-	84,055	-	84,055
Fixed interest – UK	-	58,863	-	58,863
Income on property funds	182,373	366,572	-	548,945
Unit Trusts	428,881	648,787	-	1,077,668
Other	1,707	48,389	-	50,096
Interest on cash deposits	7,518	12,171	-	19,689
	<u>1,028,072</u>	<u>2,154,149</u>	<u>-</u>	<u>3,182,221</u>

Year to 31 December 2017

	Unrestricted 2017 £	Restricted 2017 £	Endowment 2017 £	Total 2017 £
Dividends – UK equities	633,064	1,552,470	-	2,185,804
Dividends – non UK equities	-	-	-	-
Fixed interest – UK	-	-	-	-
Income on property funds	151,509	236,972	-	388,481
Unit Trusts	243,295	374,523	-	617,818
Other	-	-	-	-
Interest on cash deposits	16,753	3,427	-	18,356
	<u>1,044,621</u>	<u>2,167,662</u>	<u>-</u>	<u>3,212,283</u>

6. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted 2018 £	Restricted 2018 £	Endowment 2018 £	Total 2018 £	Total 2017 £
Greenwich Hospital grant received	-	1,383,004	-	1,383,004	1,471,535
Nuffield Trust	-	562,057	-	562,057	167,057
Other grants received	70	388,827	-	388,897	427,868
	<u>70</u>	<u>2,333,888</u>	<u>-</u>	<u>2,333,958</u>	<u>2,066,460</u>

£2,066,390 of income from charitable activities in the year to 31 December 2017 was subject to specific restrictions imposed by the donor.

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. COSTS OF RAISING FUNDS

Year to 31 December 2018	Unrestricted 2018 £	Restricted 2018 £	Endowment 2018 £	Total 2018 £
Investment management fees	179,289	326,818	-	506,107
Fund raising costs	1,488,902	1,096,678	-	2,585,580
	<u>1,668,191</u>	<u>1,423,496</u>	<u>-</u>	<u>3,091,687</u>
Year to 31 December 2017	Unrestricted 2017 £	Restricted 2017 £	Endowment 2017 £	Total 2017 £
Investment management fees	87,992	171,336	-	259,328
Fund raising costs	1,405,496	891,844	-	2,297,340
	<u>1,493,488</u>	<u>1,063,180</u>	<u>-</u>	<u>2,556,668</u>

8. ANALYSIS OF CHARITABLE EXPENDITURE

Analysis of charitable expenditure including support costs

Year to 31 December 2018

	Grants Payable 2018 £	Other Direct Costs 2018 £	Support Costs (See Note 11) 2018 £	Total 2018 £
Through Life Pathway	4,361,736	-	1,139,983	5,501,719
Quality of Life Pathway	2,639,122	-	689,761	3,328,883
Fit for Life Pathway	823,927	-	215,342	1,039,269
End of Life Pathway	186,140	-	48,650	234,790
Total	<u>8,010,925</u>	<u>-</u>	<u>2,093,736</u>	<u>10,104,661</u>

Year to 31 December 2017

	Grants Payable 2017 £	Other Direct Costs 2017 £	Support Costs (See Note 11) 2017 £	Total 2017 £
Through Life Pathway	3,713,872	-	714,830	4,428,702
Quality of Life Pathway	5,082,867	-	978,329	6,061,196
Fit for Life Pathway	671,782	-	129,302	801,084
End of Life Pathway	201,403	-	38,765	240,168
Total	<u>9,669,924</u>	<u>-</u>	<u>1,861,226</u>	<u>11,531,150</u>

Grants payable include grants funded through RNRMC by Nuffield Trust and Greenwich Hospital.

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. ANALYSIS OF CHARITABLE EXPENDITURE (Continued)

Analysis of charitable expenditure by fund category including support costs

Year to 31 December 2018	From Unrestricted Funds 2018 £	From Restricted Funds 2018 £	Total 2018 £
Through Life Pathway	875,043	4,626,676	5,501,719
Quality of Life Pathway	444,592	2,884,291	3,328,883
Fit for Life Pathway	142,343	896,926	1,039,269
End of Life Pathway	29,732	205,058	234,790
Total	1,491,710	8,612,951	10,104,661

Year to 31 December 2017	From Unrestricted Funds 2017 £	From Restricted Funds 2017 £	Total 2017 £
Through Life Pathway	624,350	3,804,352	4,428,702
Quality of Life Pathway	1,406,570	4,654,626	6,061,196
Fit for Life Pathway	74,864	726,220	801,084
End of Life Pathway	22,444	217,724	240,168
Total	2,128,228	9,402,922	11,531,150

9. ANALYSIS OF GRANTS PAYABLE

Analysis of grants payable to individuals and institutions

Year to 31 December 2018	Grants to Institutions £	Total Individuals £	Total 2018 £
Through Life Pathway	2,978,639	1,383,097	4,361,736
Quality of Life Pathway	2,231,533	407,589	2,639,122
Fit for Life Pathway	603,655	220,272	823,927
End of Life Pathway	-	186,140	186,140
Total	5,813,827	2,147,904	8,010,925

Year to 31 December 2017	Grants to Institutions £	Total Individuals £	Total 2017 £
Through Life Pathway	2,575,122	1,138,750	3,713,872
Quality of Life Pathway	4,743,656	339,211	5,082,867
Fit for Life Pathway	579,399	92,383	671,782
End of Life Pathway	-	201,403	201,403
Total	7,898,177	1,771,747	9,669,924

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. ANALYSIS OF GRANTS PAYABLE (continued)

In 2018 RNOC dispersed £440k in grants, as these grants are to individuals we do not disclose the detail within the accounts.

	2018 £
Analysis of institutions receiving grants:	
Through Life Pathway	
Royal Navy & Royal Marines Children's Fund	720,000
Royal Naval Benevolent Trust	441,857
Sailors' Children's Society	135,000
Relate	98,725
Soldiers, Sailors, Airmen and Families Association	98,500
Combat Stress	90,000
Poppy Factory	85,000
Broughton House	70,000
Alabare	68,009
Regular Forces Employment Association	63,750
Defence Medical Welfare Service	50,000
RNRM Welfare	45,000
Care for Veterans	45,000
Veterans Outreach Support Association	45,000
Erskine	40,000
Age UK	39,316
Aggie Weston's	35,536
Kids	35,000
Veterans Aid	35,000
Relate	30,000
Royal Commonwealth Ex Service League	30,000
Canine Partners	27,600
Royal Marines Association	26,250
Veterans Outreach Support	25,000
Sir Oswald Stoll Foundation	25,000
Fisher House	20,000
The Royal Alfred Seafarers Society	20,000
The Not Forgotten Association	25,000
Hosanna House and Children's Pilgrimage Trust	20,000
Military Veterans	15,000
Turn to Starboard	14,000
Poppy Scotland	12,500
Royal Star & Garter	12,000
Revitalise Respite Holidays	10,620
Walking with the Wounded	10,000
Warrior	10,000
White Ensign Association	10,000
Royal Naval Association	10,000
Others under £10k	30,750
RMA - TRMC	
Royal Marines Association	163,412
Rock to Recovery	134,700
Royal Marines Club	21,255
Aggies	19,859
Royal Navy & Royal Marines Children's Fund	15,000
	2,978,639

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. ANALYSIS OF GRANTS PAYABLE (continued)

Quality of Life Pathway

RNRMC

RNRM Welfare	160,000
HMS Prince of Wales	97,656
Drumfork Club	91,004
Kings Camp	74,200
RN Field Gun Competition	66,105
HMS Queen Elizabeth	63,000
HMS Seahawk	62,500
British Forces Foundation	48,000
40 Commando	33,293
Commando Training Centre	25,280
RNAS Yeovilton	23,500
HMS Neptune	20,000
RN Winter Sports Association	20,000
HMS Sultan	19,046
HMS Duncan	15,000
Junior Leaders Field Gun	14,200
Hosanna House and Children's Pilgrimage Trust	11,600
HMS Nelson	10,000
Other Major grants under £10k	5,000
Minor Grants Under £5,000	389,191

Nuffield Trust

RN Sailing Association	394,806
HMS Heron	12,000
HMS Raleigh	10,836
Others under £10k	175,461

RMA - TRMC

Globe & Laurel Magazine	87,112
Royal Marines Association	71,476
Commando Training Centre Royal Marines	32,758
40 Commando Royal Marines	39,319
45 Commando Royal Marines	31,976
Others less than £5,000	127,214

2,231,533

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. ANALYSIS OF GRANTS PAYABLE (continued)

Fit for Life Pathway

Grants to RN & RM Associations

RN Ice Hockey	17,000
RN & RM Rifle Association	16,000
RN Angling Association	15,000
RN Golfing Association	14,000
RN & RM Equestrian Association	12,000
RN Cricket Club	12,000
RN Rugby League	12,000
RN Hockey Association	12,000
RN & RM Sport Parachute Association	12,000
RN Squash Association	10,500
RN Sailing Association	10,000
Regions	100,000
Other under £10k	185,461
RMSA	
Association Expenditure	175,694
	<u>603,655</u>

10. ANALYSIS OF GOVERNANCE COSTS

	Total 2018 £	Total 2017 £
Trustee meetings	13,021	5,864
Auditor's remuneration	58,881	36,232
Legal and professional fees	162,166	207,815
Other governance costs	10,637	37,444
Support costs - see Note 11	620,564	536,532
	<u>865,269</u>	<u>823,887</u>

The Support costs above that are included within Governance costs for the Group primarily include the costs relating to the CEO and Director Op Operations plus some other staff and represent the support necessary to deliver the management and reporting requirements for the Boards within the wider Group.

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. ALLOCATION OF SUPPORT COSTS AND OVERHEADS

Year to 31 December 2018

The breakdown of support costs and how these were allocated between cost of fundraising, charitable activities and governance costs for the year to 31 December 2018 is shown below.

Cost Type	Raising Funds 2018 £	Charitable Activities 2018 £	Governance 2018 £	Total allocated 2018 £	Basis
Staff costs	842,660	1,059,345	505,596	2,407,601	Staff time
Administration	102,374	307,119	102,373	511,866	Usage
Insurance	12,595	37,785	12,595	62,975	Usage
Depreciation and amortisation	40,535	40,535	-	81,070	Usage
	<u>998,164</u>	<u>1,444,784</u>	<u>620,564</u>	<u>3,063,512</u>	
Direct governance costs	-	-	244,705	244,705	Actual
	<u>998,164</u>	<u>1,444,784</u>	<u>865,269</u>	<u>3,308,217</u>	
Allocation of governance support costs	216,317	648,952	(865,269)	-	Usage
	<u>1,214,481</u>	<u>2,093,736</u>	<u>-</u>	<u>3,308,217</u>	

Year to 31 December 2017

The breakdown of support costs and how these were allocated between cost of raising funds, charitable activities and governance costs for the year to 31 December 2017 is shown below.

	Raising Funds 2017 £	Charitable Activities 2017 £	Governance 2017 £	Total allocated 2017 £	
Staff costs	754,797	948,888	452,878	2,156,563	Staff time
Administration	68,077	204,232	68,077	340,386	Usage
Insurance	15,578	46,733	15,577	77,888	Usage
Depreciation and amortisation	43,458	43,458	-	86,916	Usage
	<u>881,910</u>	<u>1,243,311</u>	<u>536,532</u>	<u>2,661,753</u>	
Direct governance costs	-	-	287,355	287,355	Actual
	<u>881,910</u>	<u>1,243,311</u>	<u>823,887</u>	<u>2,949,108</u>	
Allocation of governance support costs	205,972	617,915	(823,887)	-	Usage
	<u>1,087,882</u>	<u>1,861,226</u>	<u>-</u>	<u>2,949,108</u>	

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. ALLOCATION OF SUPPORT COSTS AND OVERHEADS (continued)

The total support costs including governance costs attributable to charitable activities is then apportioned based on the number of grants awarded during the year for each activity as shown below:

	Percentage of grants awarded		Percentage of grants awarded	
	2018	2018	2017	2017
	%	£	%	£
Through Life Pathway	54	1,139,983	38	714,830
Quality of Life Pathway	33	689,761	53	978,329
Fit for Life Pathway	10	215,342	7	129,302
End of Life Pathway	2	48,650	2	38,765
	<u>100</u>	<u>2,093,736</u>	<u>100</u>	<u>1,861,226</u>

12. ANALYSIS OF STAFF COSTS

	2018	2017
	£	£
Salaries and wages	2,064,747	1,852,589
Social security costs	214,650	191,390
Pension costs	128,204	112,584
	<u>2,407,601</u>	<u>2,156,563</u>

The number of employees whose emoluments (salaries, social security costs and benefits in kind) fell within the following bands, this excludes the CEO's in 2018 as neither of them were paid a full year of salary:

	2018	2017
	Number	Number
£110,000 - £120,000	-	1
£70,000 - £79,999	2	2
£60,000 - £69,999	3	1
	<u>5</u>	<u>4</u>

The number of employees earning £60,000 or above for whom pension contributions have been paid in the year is five (2017: four). The total pension contributions paid by the Charity during the year for an employees earning more than £60,000 was £33,233 (2017: £8,838)

Included in staff costs are termination payments of £nil (2017: £39,677).

13. STAFF NUMBERS

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

	2018	2017
	Number	Number
Direct charitable - sports	5	5
Direct charitable - benevolence	3	3
Support	54	43
	<u>62</u>	<u>51</u>

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. TRUSTEES AND KEY MANAGEMENT PERSONNEL

No trustee received emoluments in the period (2017: none). Total travel expenses of £1,260 (2017: £4,735) were paid to seven (2017: thirteen) trustees during the period.

Within the RNRMC there are nine unincorporated charities, five charitable companies, and one charity with a Royal Charter now integrated within the Group structure, representing the overwhelming majority of the naval charity sector. Each of these entities has a CEO or equivalent that form part of the team that we class as our key management personnel. These personnel are supported by the RNRMC SMT, Director of Operations, Chief Financial Officer, Director of Relationships and Funding and Director of Fundraising and Marketing.

Therefore the Key management personnel include the Trustees, Chief Executive and the Group CEOs. The total employee benefits of the charity's key management personnel were £338,848 (2017: £303,364). No trustee received any remuneration as part of this figure.

15. MOVEMENT IN NET FUNDS FOR THE YEAR

	2018	2017
	£	£
Movement in net funds is stated after charging/(crediting):		
Auditor's remuneration (including irrecoverable VAT):		
- Statutory audit (current year)	38,751	36,232
- Taxation	1,554	6,396
- Other	18,576	10,020
Depreciation - owned assets	32,748	27,765

16. TRANSFER BETWEEN FUNDS

Transfers between funds relate to amounts allocated by the RNRMC general funds to some its subsidiaries.

17. TAXATION

The company is a registered charity and no provision is considered necessary for taxation.

18. INTANGIBLE FIXED ASSETS - GROUP

	Website
Cost or valuation	£
As at 1 January 2018	173,597
Additions	13,260
As at 31 December 2018	186,857
Depreciation	
As at 1 January 2018	120,924
Charge for the year	48,322
As at 31 December 2018	169,246
Net book value	
As at 31 December 2018	17,611
As at 31 December 2017	52,673

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. INTANGIBLE FIXED ASSETS - CHARITY

	Website
	£
Cost or valuation	
As at 1 January 2018	25,397
Additions	13,260
Disposals	
As at 31 December 2018	<u>38,657</u>
Depreciation	
As at 1 January 2018	16,323
Charge for the year	8,466
As at 31 December 2018	<u>24,789</u>
Net book value	
As at 31 December 2018	<u>13,868</u>
As at 31 December 2017	<u>9,074</u>

19. TANGIBLE FIXED ASSETS - GROUP

	Leasehold Improvements	Freehold property	Office and computer equipment	Total
	£	£	£	£
Cost or valuation				
As at 1 January 2018	-	240,000	143,152	383,152
Additions	751,897	-	85,291	837,188
Revaluation	-	(27,000)	-	(27,000)
Transfer to asset held for sale (see overleaf)	-	(213,000)	-	(213,000)
As at 31 December 2018	<u>751,897</u>	<u>-</u>	<u>228,443</u>	<u>980,340</u>
Depreciation				
As at 1 January 2018	-	5,801	122,718	128,519
Charge for the year	7,519	-	25,229	32,748
Impairment	-	(5,801)	-	(5,801)
As at 31 December 2018	<u>7,519</u>	<u>-</u>	<u>147,947</u>	<u>155,466</u>
Net book value				
As at 31 December 2018	<u>744,378</u>	<u>-</u>	<u>80,496</u>	<u>824,874</u>
As at 31 December 2017	<u>-</u>	<u>234,199</u>	<u>20,434</u>	<u>254,633</u>

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

19. TANGIBLE FIXED ASSETS – CHARITY

	Leasehold Improvements	Freehold property	Office and computer equipment	Total
Cost or valuation	£	£	£	£
As at 1 January 2018	-	240,000	96,450	336,450
Additions	751,897	-	76,203	828,100
Revaluation	-	(27,000)	-	(27,000)
Transfer to asset held for sale (see below)	-	(213,000)	-	(213,000)
	<u>751,897</u>	<u>-</u>	<u>172,653</u>	<u>924,550</u>
Depreciation				
As at 1 January 2018	-	5,801	81,984	87,785
Charge for the year	7,519	-	20,113	27,632
Eliminated on revaluation	-	(5,801)	-	(5,801)
	<u>7,519</u>	<u>-</u>	<u>102,097</u>	<u>109,616</u>
Net book value				
As at 31 December 2018	<u>744,378</u>	<u>-</u>	<u>70,556</u>	<u>814,934</u>
As at 31 December 2017	<u>-</u>	<u>234,199</u>	<u>14,466</u>	<u>248,665</u>

ASSET HELD FOR SALE- GROUP AND CHARITY

The charitable company's freehold property, 4 Nickleby Close, Chatham, relates to the HMS Affray fund and during the year was occupied by a life long beneficiary of this fund.

This property is in the process of being sold for an agreed price of £213,000.

20. FIXED ASSET INVESTMENTS

	Group 2018	Group 2017	Charity 2018	Charity 2017
	£	£	£	£
Movements in fixed asset investments				
Market value brought forward	90,674,557	85,364,558	59,617,599	55,550,377
Additions at cost	29,002,224	19,814,308	23,463,029	16,996,999
Disposals at carrying value	(29,185,776)	(17,904,521)	(23,651,015)	(15,079,991)
Net gain/(loss) on revaluation	(4,051,212)	3,400,212	(2,125,024)	2,150,214
	<u>86,439,793</u>	<u>90,674,557</u>	<u>57,304,589</u>	<u>59,617,559</u>

Analysis of market value of investments by type:

	Group 2018	Group 2017	Charity 2018	Charity 2017
	£	£	£	£
Unlisted – RNRMC Enterprises Limited	-	-	100,000	100,000
Equities	56,932,465	62,323,553	37,684,841	40,931,195
Bonds	10,016,367	10,334,377	6,447,841	7,031,225
Alternative investments	15,125,314	15,954,797	10,059,924	10,349,568
Cash	4,365,647	2,061,830	3,012,232	1,205,611
	<u>86,439,793</u>	<u>90,674,557</u>	<u>57,304,589</u>	<u>59,617,599</u>

THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

20. FIXED ASSET INVESTMENTS (continued)

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

	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
Within the United Kingdom	78,209,563	71,455,072	55,802,040	47,495,051
Outside the United Kingdom	8,230,230	19,219,485	1,502,549	12,122,548
	<u>86,439,793</u>	<u>90,674,557</u>	<u>57,304,589</u>	<u>59,617,599</u>

The trustees consider that the following individual investment holdings are material, each representing more than 5% of the total investment portfolio (Charity only):

	Market Value £
Schroder QEP Global Active Value Fund	7,851,378
Trojan Income Fund	7,224,327
Fidelity Global Dividend Fund	4,423,745
Charities Property Fund	3,585,807
Schroder Income Fund	<u>3,562,555</u>

	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
21. STOCK				
Goods for resale	107,033	117,723	-	-
	<u>107,033</u>	<u>117,723</u>	<u>-</u>	<u>-</u>
22. DEBTORS				
Naval Service assisted travel loans	14,671	1,908	13,746	1,863
Accrued income	439,753	1,760,094	131,937	1,755,468
Owed from subsidiary undertakings	-	-	277,108	1,190
Other debtors and prepayments	898,396	180,626	592,515	48,526
	<u>1,352,820</u>	<u>1,942,629</u>	<u>1,015,306</u>	<u>1,807,047</u>

Included within other debtors and prepayments is an amount of £170,000 (2017: £nil) in respect of a grant debtor that is expected to be received after more than one year.

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

23. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
Grants payable	1,020,386	839,084	924,218	749,951
Taxation and social security	93,064	85,274	48,754	49,275
Accrued expenses and Custodian funds	4,606,019	3,695,890	4,241,786	3,716,897
Deferred income (see Note 24)	52,820	57,668	-	-
Owed to subsidiary undertakings	-	-	318,350	277,390
	5,722,289	4,677,916	5,533,108	4,793,513

Custodian funds

The RNRMC holds custodian funds on behalf of RNRM Welfare, UIF CTCRM (Unit Institute Fund Commando Training Centre Royal Marines), Royal Navy Association, Royal Navy Football Association, RNRM Sports Lottery, Porth Kerris LIBOR Fund and the Globe and Laurel Magazine Fund. These amounts are included within creditors above.

Entity	Principal Object	Held	2018 £	2017 £
RNRM Welfare	the Royal Navy's secondary (specialist) welfare service for naval service personnel and their families	Cash	£ 430	£ 34,869
UIF CTCRM	a registered charity whose principal object is the promotion of efficiency of the armed forces of the Crown by the provision and support of facilities and activities for the efficiency and well-being of Service personnel	Investment Portfolio with Cazenove and cash	£ 313,598	£ 333,646
Globe and Laurel Magazine Fund	a registered charity whose principal object is management, publication and sale of the Corps Journal of the Royal Marines	Investment Portfolio with Cazenove and cash	£ 242,725	£ 274,338
Royal Naval Association	a registered charity whose principal object is to foster comradeship and "esprit de corps" among those who have served or are serving in Her Majesty's Naval Forces	Investment Portfolio with Cazenove	£ 1,991,006	£ 1,763,039
The Royal Navy Football Association	a registered charity whose principal object is to promote the physical efficiency of members of the Royal Navy and Royal Marines	Investment Portfolio with Cazenove and cash	£ 97,815	£ 100,655
RNRM Sports Lottery	a non-public fund which was set up to generate funds to support all levels of sport, adventure training and recreation in the Naval Service	Investment Portfolio with Cazenove and cash	£ 984,646	£ 1,032,646
Porth Kerris LIBOR fund	A grant received from the LIBOR fines fund to support a specific RN Project at Porth Kerris	Investment Portfolio with Cazenove	£ 300,000	£ nil

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

23. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

Custodian funds (continued)

This activity falls within the RNRMC's principal object which is the promotion of the efficiency of the Naval Service and the Auxiliaries. By assisting these entities RNRMC's objects are being furthered allowing grants to be paid through proper financial and governance channels for RNRMC Welfare and increasing the investment income potential by benefitting from beneficial rates offered to larger portfolios. Memorandums of Understanding are in place with all three entities and all custodian funds are accounted for separately.

24. DEFERRED INCOME

Deferred income comprises grants received for future financial periods

	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
Balance at 1 January	57,668	72,085	-	-
Amount released to incoming resources	(57,668)	(72,085)	-	-
Amount deferred in year	52,820	57,668	-	-
	<u>52,820</u>	<u>57,668</u>	<u>-</u>	<u>-</u>
Balance at 31 December	<u>52,820</u>	<u>57,668</u>	<u>-</u>	<u>-</u>
Analysis:				
Release within one year	52,820	57,668	-	-
	<u>52,820</u>	<u>57,668</u>	<u>-</u>	<u>-</u>

25. ANALYSIS OF CHARITABLE FUNDS

Analysis of unrestricted fund movements- current year

	Balance at 01.01.2018 £	Income £	Resources expended £	Transfers £	Investment gains/(losses) £	Balance at 31.12.2018 £
RNRMC general funds	17,167,037	3,284,368	(2,423,427)	(215,647)	(717,594)	17,094,737
Designated						
Naval Service Amenity Fund	11,900,000	-	-	-	-	11,900,000
DRUMFORK	384,429	2,109	(95,631)	-	-	290,907
LIBOR- Afghanistan	679,883	2,717	(81,949)	(207,503)	-	393,148
Building 37	771,611	2,023	(7,519)	-	-	766,115
Group and Charity designated total	<u>13,735,923</u>	<u>6,849</u>	<u>(185,099)</u>	<u>(207,503)</u>	<u>-</u>	<u>13,350,170</u>
RNRMC Enterprises Limited	88,951	796,446	(551,375)	(334,022)	-	-
Group unrestricted total	<u>30,991,911</u>	<u>4,087,663</u>	<u>(3,159,901)</u>	<u>(757,172)</u>	<u>(717,594)</u>	<u>30,444,907</u>

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

25. ANALYSIS OF CHARITABLE FUNDS (continued)

Analysis of restricted fund movements- current year

	Balance at 01.01.2018 £	Income £	Resources expended £	Transfers £	Investment gains/(losses) £	Balance at 31.12.2018 £
Charity						
Naval Service Benevolence Fund	1,838,556	1,514,157	(2,387,689)	874,102	(129,073)	1,710,053
Naval Service Dependants' Fund	10,705,317	379,436	(245,516)	(134,093)	(433,893)	10,271,251
Naval Service Amenity Fund	3,434,738	228,036	(818,650)	591,235	(167,969)	3,267,390
Naval Service Prizes and Awards Fund	5,171,152	220,518	(172,497)	-	(279,133)	4,940,040
FAA Benevolent Trust	5,107,977	180,442	(125,840)	10,250	(278,798)	4,894,031
QARNNS Trust Fund	899,509	41,914	(22,856)	-	(49,165)	869,402
Plymouth Royal Naval Aid Fund	249,898	8,788	(2,955)	-	(13,572)	242,159
Sir Donald Gosling Maritime Reserve Amenity Fund	292,190	10,102	(10,206)	-	(15,772)	276,314
Naval Medical Compassionate Fund	745,530	25,355	(16,516)	-	(40,055)	714,314
Nuffield Trust	68,539	567,059	(605,103)	(80)	-	30,415
Naval Service Recovery Pathway Fund	4,336	-	(41,262)	40,000	-	3,074
Drumfork	-	515,000	-	(515,000)	-	-
LIBOR 2016	554,253	3,604	(175,253)	(157,000)	-	225,604
LIBOR 2017	1,500,000	4,731	(268,389)	(446,228)	-	789,664
Charity restricted total	30,571,995	3,699,142	(4,893,182)	263,186	(1,407,430)	28,233,711
Group						
Naval Service Sports Charity	5,171,794	392,249	(703,504)	265,530	(265,666)	4,860,403
NSSC-RNRU fund	-	30,000	(23,100)	1,500	-	8,400
RNOC (RNBSO) - general funds	15,429,223	721,374	(729,883)	-	(1,240,713)	14,180,051
RNOC - RN Scholarship Fund	341,282	14,442	(10,000)	-	24,951	370,675
TRMC general funds	5,052,019	2,788,491	(2,049,931)	(48,157)	(162,699)	5,580,172
TRMC LIBOR Fund	581,068	2,847	(47,832)	-	-	536,083
RM Benevolence Fund	4,045,134	141,206	(674,535)	-	(156,795)	3,355,010
RM Cadet Fund	123,899	4,017	(1,849)	-	(4,629)	121,438
RM Central Sergeants' Mess Fund	930,805	177,862	(165,493)	(34,118)	(36,508)	872,548
RM Central Unit Institute Fund	1,205,975	308,595	(166,257)	(156,541)	(44,809)	1,146,963
RM Officers' Trust Fund	1,045,026	156,350	(154,291)	(10,035)	(39,320)	997,730
TRiM4Veterans Fund	4,193	-	(4,193)	-	-	-
CTC Family Centre	50,299	715,541	(8,400)	-	-	757,440
RMSA	184,304	187,191	(404,047)	475,807	-	443,255
TRMC Enterprises Limited	-	-	-	-	-	-
Group Restricted Total	64,737,016	9,339,757	(10,036,447)	757,172	(3,333,618)	61,463,879

Analysis of permanent endowment fund movements- current year

	Balance at 01.01.2018 £	Incoming resources £	Resources expended £	Transfers £	Investment gains/(losses) £	Balance at 31.12.2018 £
Naval Service Benevolence Fund	655,649	-	-	-	-	655,649
Permanent Endowment Total	655,649	-	-	-	-	655,649

THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

25. ANALYSIS OF CHARITABLE FUNDS (continued)

Analysis of unrestricted fund movements- prior year

	Restated Balance at 01.01.2017 £	Income £	Resources expended £	Transfers £	Investment gains/(losses) £	Balance at 31.12.2017 £
RNRMC general funds	17,442,987	3,289,988	(2,649,580)	(2,019,616)	1,103,258	17,167,037
Designated						
Naval Service Amenity Fund	11,900,000	-	-	-	-	11,900,000
DRUMFORK	-	-	-	384,429	-	384,429
LIBOR- Afghanistan	1,000,404	6,744	(210,569)	(116,696)	-	679,883
LIBOR 2015	317,785	25,560	(204,515)	(138,830)	-	-
Building 37	-	1,611	-	770,000	-	771,611
Group and Charity designated total	13,218,189	33,915	(415,084)	898,903	-	13,735,923
RNRMC Enterprises Limited	165,566	646,003	(557,052)	(165,566)	-	88,951
Group unrestricted total	30,826,742	3,969,906	(3,621,716)	(1,286,279)	1,103,258	30,991,911

Analysis of restricted fund movements- prior year

	Balance at 01.01.2017 £	Income £	Resources expended £	Transfers £	Investment gains/(losses) £	Balance at 31.12.2017 £
Naval Service Benevolence Fund	1,642,868	1,602,151	(2,091,307)	590,572	94,272	1,838,556
Naval Service Dependants' Fund	10,343,303	396,629	(229,207)	(142,573)	337,165	10,705,317
Naval Service Amenity Fund	3,314,846	306,774	(1,079,116)	777,295	114,939	3,434,738
Naval Service Prizes and Awards Fund	4,916,772	187,729	(141,728)	-	208,379	5,171,152
FAA Benevolent Trust	4,844,185	181,820	(129,741)	-	211,713	5,107,977
QARNNS Trust Fund	852,075	37,925	(19,808)	-	29,317	899,509
Plymouth Royal Naval Aid Fund	235,576	8,181	(3,425)	-	9,566	249,898
Sir Donald Gosling Maritime Reserve Amenity Fund	276,784	10,451	(6,917)	-	11,872	292,190
Naval Medical Compassionate Fund	698,565	25,425	(8,193)	-	29,733	745,530
Nuffield Trust	65,137	185,207	(181,805)	-	-	68,539
Naval Service Recovery Pathway Fund	19,822	11,398	(26,884)	-	-	4,336
Drumfork	1,948,114	11,067	(1,959,181)	-	-	-
LIBOR 2016	1,000,000	723	(249,804)	(196,666)	-	554,253
LIBOR 2017	-	1,500,000	-	-	-	1,500,000
Charity restricted total	30,158,047	4,465,480	(6,127,116)	1,798,628	1,046,956	30,571,995

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

25. ANALYSIS OF CHARITABLE FUNDS (continued)

Analysis of restricted fund movements- current year (continued)

Naval Service Sports Charity	4,980,936	408,496	(671,329)	257,656	196,035	5,171,794
NSSC-RNRU fund	27,868	1,247	(29,115)	-	-	-
RNOC (RNBSO) - general funds	14,703,436	668,146	(634,694)	-	692,335	15,429,223
RNOC - RN Scholarship Fund	323,008	11,315	(7,865)	-	14,824	341,282
TRMC general funds	4,226,157	2,509,850	(1,597,748)	(207,014)	120,774	5,052,019
TRMC LIBOR Fund	636,527	4,736	(114,296)	54,101	-	581,068
RM Benevolence Fund	4,197,716	175,122	(455,626)	-	127,922	4,045,134
RM Cadet Fund	116,475	4,355	(551)	-	3,620	123,899
RM Central Sergeants' Mess Fund	909,848	181,499	(152,511)	(36,632)	28,601	930,810
RM Central Unit Institute Fund	1,136,859	322,060	(119,923)	(168,054)	35,033	1,205,975
RM Officers' Trust Fund	1,009,383	158,704	(143,142)	(10,773)	30,854	1,045,026
TRIM4Veterans Fund	43,885	-	(39,692)	-	-	4,193
CTC Family Centre	299	50,000	-	-	-	50,299
RMSA	102,596	85,835	(219,581)	215,454	-	184,304
TRMC Enterprises Limited	-	-	(152,913)	152,913	-	-
Group Restricted Total	62,573,040	9,046,845	(10,466,103)	1,286,279	2,296,954	64,737,016

Analysis of permanent endowment fund movements- current year

	Balance at 01.01.2017 £	Incoming resources £	Resources expended £	Transfers £	Investment gains/(losses) £	Balance at 31.12.2017 £
Naval Service Benevolence Fund	655,649	-	-	-	-	655,649
Permanent Endowment Total	655,649	-	-	-	-	655,649

Classification of Group Funds

The RNRMC has a fund structure consisting of unrestricted, designated, restricted and one permanent endowment fund.

Unrestricted Fund – this fund represents those funds which have not been designated, and are available to support any of the objects of the parent charity.

Designated Funds – are held against known commitments as explained below and are a category of unrestricted funds:

- Naval Service Amenity Fund – Major grants programme – the designated funds of £11.9m held as investments earn income each year to fund the major grant programme for the NSAF fund. The monies are held for the long term and it is not intended that they will be spent as they provide a key income stream for this fund which provides grants to the serving community and their families.
- LIBOR – Afghanistan – the designated funds of £1.2m are to be used to primarily support the families of the fallen and wounded, injured and sick veterans of the Afghanistan Campaign. It is hoped that these funds will be spent over the next 5 years.
- Drumfork – In 2015, the RNRMC received a £2m donation from HM Treasury for the refurbishment of the Drumfork club in Helensburgh, Scotland. The RNRMC designated £1m from its own funds in October 2017 to ensure the completion of the project, of which £616k has been spent. £384k remains in the designated fund for fixtures and fittings across 2018. A £1m fundraising campaign is under way to ensure the Groups capital is protected. Once the project is completed the Trustees will look to undesignate funds.
- Building 37 – In 2017, the Trustees designated £770k for the renovation of Buildings 37 and 35 within HMS Excellent, Portsmouth in order to give the charity a fit for purpose working environment for the next 25 years. The designated fund will be retained to depreciate the cost over the term of the lease with the MOD (25 years) and is considerably less than the commercial rental rates of £40k per annum (£1m over the lease period at today's rates).

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

25. ANALYSIS OF CHARITABLE FUNDS (continued)

Permanent Endowment – held separately as part of the Naval Service Benevolence Fund.

Restricted Funds - the subsidiary charities are all restricted funds and are grouped under two main headings in order to achieve the RNRMC's charitable objectives. Each subsidiary's funds are restricted by the provisions of that charity's governing instrument, whether Royal Charter*, Memorandum of Association** or Charity Commission Scheme***.

Benevolence	Promotion of Efficiency
Royal Navy Officers' Charity*	Naval Service Amenity Fund***
Naval Service Benevolence Fund***	Naval Service Prizes and Awards Fund***
Plymouth Royal Naval Aid Fund ***	Naval Service Sports Charity**
Naval Medical Compassionate Fund***	Naval Service Dependants' Fund***
LIBOR 2016	Fleet Air Arm Benevolent Trust ***
	Sir Donald Gosling Maritime Reserve Amenity Fund***
	Royal Marines Sports Association**
	LIBOR 2017
Charities with dual objects	
	Queen Alexandra's Royal Naval Nursing Service Trust Fund***
	The Royal Marines Charity **

The remaining restricted funds that are not mentioned in the table above have been received as restricted income rather than existing as separate charities merged within the RNRMC umbrella.

26. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

As at 31 December 2018	Unrestricted* Funds £	Restricted Funds £	Endowment Funds £	2018 Total £
Tangible fixed assets	814,394	9,940	-	824,874
Intangible Fixed Assets	13,869	3,742	-	17,611
Fixed asset investments	27,095,477	58,688,667	655,649	86,439,793
Cash at bank and in hand	2,218,702	7,162,892	-	9,381,594
Other net current assets/(liabilities)	301,925	(4,401,361)	-	(4,099,436)
	<u>30,444,907</u>	<u>61,463,880</u>	<u>655,649</u>	<u>92,564,436</u>
As at 31 December 2017	Unrestricted* Funds £	Restricted Funds £	Endowment Funds £	2017 Total £
Tangible fixed assets	248,665	5,968	-	254,633
Intangible Fixed Assets	38,210	14,463	-	52,673
Fixed asset investments	27,922,891	62,096,017	655,649	90,674,557
Cash at bank and in hand	1,992,996	6,027,281	-	8,020,277
Other net current assets/(liabilities)	789,149	(3,406,713)	-	(2,617,564)
	<u>30,991,911</u>	<u>64,737,016</u>	<u>655,649</u>	<u>96,384,576</u>

*including designated funds

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

27. DISCLOSURE OF SUBSIDIARIES – ROYAL NAVAL BENEVOLENT SOCIETY FOR OFFICERS

The charitable company is the trustee with right of veto of the Royal Naval Benevolent Society for Officers, known as The Royal Navy Officers' Charity (RNOC), a charity formed by Royal Charter. RNOC have objects similar to those of the RNRMC. These financial statements consolidate the accounts for the RNOC. The following is an extract of the financial statements of RNOC for the year ended 31 December 2018:

	2018 £	2017 £
Income	629,890	585,030
Expenditure	(633,906)	(548,128)
Gains/(losses) on investments	(1,215,761)	707,159
Net (expenditure)/ income	<u>(1,219,777)</u>	<u>744,061</u>
Total assets	14,581,536	15,784,067
Liabilities	(30,806)	(13,560)
Net assets	<u>14,550,730</u>	<u>15,770,507</u>
Restricted funds	320,773	341,282
Unrestricted funds	14,229,957	15,429,225
	<u>14,550,730</u>	<u>15,770,507</u>

28. DISCLOSURE OF SUBSIDIARIES – NAVAL SERVICE SPORTS CHARITY

The charitable company is the sole corporate member of the Naval Service Sports Charity (NSSC), a charitable company limited by guarantee. These financial statements consolidate the accounts for the NSSC. The following is an extract of the financial statements of NSSC for the period ended 31 December 2018:

	2018 £	2017 £
Income	726,203	671,233
Expenditure	(763,527)	(704,277)
Gains/(losses) on investments	(265,666)	196,035
Net (expenditure)/ income	<u>(302,990)</u>	<u>162,991</u>
Total assets	5,036,413	5,260,498
Liabilities	(167,612)	(88,707)
Net assets	<u>4,868,801</u>	<u>5,171,791</u>
Restricted funds	8,400	-
Unrestricted funds	4,860,401	5,171,791
	<u>4,868,801</u>	<u>5,171,791</u>

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

29. DISCLOSURE OF SUBSIDIARIES – RMA – THE ROYAL MARINES CHARITY

The charitable company became the sole corporate member of The Royal Marines Charity (TRMC), a charitable company limited by guarantee, on 1 April 2011. These financial statements consolidate the accounts for the RMC. The following is an extract of the financial statements of TRMC for year ended 31 December 2018:

	2018 £	2017 £
Income	4,710,323	3,406,327
Expenditure	(3,936,620)	(2,991,856)
Gains/(losses) on investments	(444,760)	346,804
Net income	<u>328,943</u>	<u>761,275</u>
Total assets	13,898,865	13,177,249
Liabilities	(531,502)	(138,831)
Net assets	<u>13,367,363</u>	<u>13,038,418</u>
Restricted funds	7,251,125	7,405,332
Unrestricted funds	6,116,238	5,633,086
	<u>13,367,363</u>	<u>13,038,418</u>

30. DISCLOSURE OF SUBSIDIARIES – ROYAL MARINES SPORTS ASSOCIATION

The charitable company became the sole corporate member of the Royal Marines Sports Association (RMSA), a charitable company limited by guarantee, on 12 March 2012. These financial statements consolidate the accounts for the RMSA. The following is an extract of the financial statements of RMSA for the year to 31 December 2018:

	2018 £	2017 £
Income	667,240	301,289
Expenditure	(408,289)	(219,581)
Gains on investments	-	-
Net income	<u>258,951</u>	<u>81,708</u>
Total assets	460,926	186,080
Liabilities	(17,671)	1,776
Net assets	<u>443,255</u>	<u>184,304</u>
Restricted funds	-	-
Unrestricted funds	443,255	184,304
	<u>443,255</u>	<u>184,304</u>

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

31. DISCLOSURE OF SUBSIDIARIES – RNRMC ENTERPRISES LIMITED

The RNRMC Enterprises Limited was incorporated on 5 March 2012, as the wholly owned trading subsidiary of RNRMC with a share capital of £100,000. Its results to the 31 December are consolidated in the Group accounts. The following is an extract of the financial statements of RNRMC Enterprises Limited for the year to 31 December 2018:

	2018 £	2017 £
Income	829,416	646,003
Expenditure	(566,375)	(557,052)
Net income - gift aided to RNRMC	<u>263,041</u>	<u>88,951</u>
Total assets	520,214	412,674
Liabilities	(420,214)	(223,723)
Net assets	<u>100,000</u>	<u>188,951</u>
Share Capital and retained earnings	<u>100,000</u>	<u>188,951</u>

32. DISCLOSURE OF SUBSIDIARIES – TRMC ENTERPRISES LIMITED

TRMC Enterprises Limited was incorporated on 23 February 2016, as the wholly owned trading subsidiary of TRMC with a share capital of £1. Its results to the 31 December are consolidated in the Group accounts. The following is an extract of the financial statements of TRMC Enterprises Limited for the period to 31 December 2018

	2018 £	2017 £
Income	4,870	152,913
Expenditure	(4,870)	(152,913)
Gains on investments	-	-
Net income	<u>-</u>	<u>-</u>
Total assets	169	33,482
Liabilities	(168)	(33,481)
Net assets	<u>1</u>	<u>1</u>

33. PENSIONS AND OTHER POST-RETIREMENT BENEFIT COMMITMENTS

The Charitable Group operates a defined contribution scheme which is administered independently of the Group charities. The cost to the Group for the year was £128,204 (2017: £112,584). At the Balance Sheet date the amount due to the pension scheme administrators was £18,683 (2017: £16,098).

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

34. RELATED PARTY TRANSACTIONS

In August 2009 the Royal Navy agreed to lease office space at HMS Excellent to the Charitable Company at a peppercorn rent. These support costs are difficult to quantify as they are not discrete activities because personnel and office facilities are used for other Navy Command duties. As such the value of support provided by the Ministry of Defence has not been included in the Charitable Company's Statement of Financial Activities.

During the year trustees donated £28,881 (2017: £56,687) to the charity.

During the year The Royal Navy and Royal Marines Charity made a grant to its subsidiary, The Naval Service Sports Charity, of £300,000 (2017: £257,656).

During the year The Royal Navy and Royal Marines Charity made a grant to its subsidiary, RMA - The Royal Marines Charity, of £346,413 (2017: £nil).

During the year The Royal Navy and Royal Marines Charity charged its subsidiaries the following amounts in respect of management and administration services: The Royal Marines Charity, £143,789 (2017: £47,133) and RNRMC Enterprises Limited £15,000 (2017: £12,600).

During the year RMA - The Royal Marines Charity made a grant to its subsidiary, The Royal Marines Sports Association, of £499,708 (2017: £215,454)

During the year RNRMC Enterprises Limited donated £351,992 (2017: £165,566) to the parent charity, The Royal Navy and Royal Marines Charity.

35. OPERATING LEASE COMMITMENTS

At the year end the charity had the following total commitments under non-cancellable operating leases:

	2018	2017
	£	£
Due within:		
1 year	44,759	6,414
2-5 years	215,918	6,414
More than 5 years	600,000	-
	<u>860,677</u>	<u>12,828</u>

36. ULTIMATE CONTROLLING PARTY

The charitable company is under the control of the RNRMC membership. No one member has sufficient voting rights to control the charitable company.

**THE ROYAL NAVY AND ROYAL MARINES CHARITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

37. CONTINGENT LIABILITIES

In 2009 the Naval Service Sports Charity (NSSC) released the liability previously included for accrued pensions for former employees of the former Royal Navy Sports Control Board who transferred to the Civil Service. The Board of the NSSC reviewed the likelihood of this pension provision being payable to the Principal Civil Service Pension Scheme following meetings with relevant individuals with Navy Command HQ and the Civil Service Pensions. The Board concluded that it is possible but not probable that this liability could become payable and is therefore disclosed as a contingent liability. The liability should it become payable is thought to be £176,450 (2017: £176,450).

38. CALCULATION OF FREE RESERVES

	2018 £	2017 £
Total unrestricted funds (excluding designated funds)	17,094,737	17,255,988
Less: investments (excluding designated fund investments) tangible fixed assets	(15,195,477) (828,803)	(16,022,890) (286,875)
Total free reserves	<u>1,070,457</u>	<u>946,223</u>

39. POST BALANCE SHEET EVENT

On 1st April 2019 the Royal Marines Charity completed its merger with Royal Marines Association (RMA) and is registered under the revised name, Royal Marines Association – The Royal Marines Charity (with the working name RMA - The Royal Marines Charity).