

# ANNUAL REPORT AND ACCOUNTS 2018



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#### The Soldiers', Sailors', Airmen's and Families'

##### Association - Forces Help

Queen Elizabeth House, 4 St Dunstan's Hill  
London EC3R 8AD  
[ssafa.org.uk](http://ssafa.org.uk)

##### Registered Charity Numbers

210760 (England and Wales)

SC038056 (Scotland)

149 (Gibraltar)

20006082 (Republic of Ireland)

##### Auditor

Grant Thornton UK LLP, Statutory Auditor, Chartered Accountants, 30 Finsbury Square, London, EC2A 1AG

##### Cover photo: Carra Redford and her family

Carra was medically discharged from the Royal Navy in 2005 after a hip injury, and surgery left her with reduced mobility. With help from her caseworker, Dave Quill, at the SSAFA Essex Branch, she has got her freedom and independence back. Read more about Carra's story in our 2018 Impact Report or online at [www.ssafa.org.uk/about-us/our-stories/carra-redford](http://www.ssafa.org.uk/about-us/our-stories/carra-redford).

##### Bankers

Coutts & Co  
440 The Strand, London WC2R 0QS

Royal Bank of Scotland Plc  
West End Commercial Centre, 1st Floor, Argyll House, 246  
Regent Street, London W1B 3PB

##### Investment Managers

BlackRock Investment Managers Ltd,  
12 Throgmorton Avenue, London EC2N 2DL

##### Solicitors

Withers LLP, 20 Old Bailey, London EC4M 7EG

# A MESSAGE FROM OUR CHAIRMAN

## Welcome to our 2018 Annual Report and Accounts

Looking back over 2018, we can all be incredibly proud of what we have achieved for our beneficiaries. The SSAFA family – our volunteers, employees and partner organisations – has once again worked together to provide vital, life-changing services to the Armed Forces community.

Through our range of complementary services across the UK and overseas, we have supported 82,001 people. This is a fantastic achievement during a challenging period of economic and political uncertainty, within a crowded and increasingly regulated charitable sector.

Our 5,655 volunteers are the backbone of this support. Although the number of cases we handled went down slightly in 2018, the needs of the people we support continue to be more complicated. We are hearing from more and more people struggling with mental health, which in turn impacts on other areas of their lives such as physical health and financial difficulties. Complicated cases such as these call for extra time and resources. So, we are relying even more on our volunteers – and the effort and expertise they put in – to offer bespoke, long-term support to help people get back to where they want to be.

We were working with a backdrop of increased regulation this year, so we have reinforced our commitment to data protection, assurance and safeguarding. We invested in additional training to give our volunteers the support they need to carry on helping our more vulnerable beneficiaries in the best possible way.

We continue to hear from younger ex-service personnel, with some struggling to transition to civilian life. We've continued to address this by further evolving our mentoring programme, which has gone from strength to strength. We now have 150 mentors working with service leavers, giving them face-to-face support to empower them to get their lives back on track. Our number of mentees has increased around 50% for the Army and Navy, and 500% for the RAF.

We also published our second research report: *'The Nation's Duty: Challenging society's disservice to a new generation of veterans'*. This eye-opening report highlighted issues younger ex-service personnel face when they leave the Armed Forces, and their feelings of alienation and disrespect. We believe this is a problem that affects the whole of society, and our report includes recommendations on how to start to address these issues. For example, better financial management and life skills training for serving personnel, and improved education for employers about the value of military qualifications.

As we provide more support for our younger beneficiaries, we do not, cannot and will not forget those older veterans who need us. Through Joining Forces, our partnership with Age UK, we supported 478 veterans who were born before 1950. Our support service for veteran Gurkhas and their families has increased dramatically throughout 2018, supporting 9,721 beneficiaries.

We also continue to support the serving Armed Forces community, with our service committees actively involved on military bases across the UK and overseas, as well as our unique military adoption service and our short breaks for those with additional needs and disabilities. Towards the end of 2018 we opened a new Norton House, located alongside the Defence Medical Rehabilitation Centre at Stanford Hall and over 300 people have already stayed there. We continue to provide high-quality health, welfare and social care services under contract to the Ministry of Defence (MOD) at home and overseas.

I would like to thank our volunteers, employees, partners and supporters for their dedication and hard work on behalf of our many beneficiaries. With their support, we will continue to hone our unique and bespoke services for the Armed Forces community – and be there as long as we are needed.



Lieutenant General  
Sir Gary Coward KBE CB  
National Chairman

## COUNCIL AND ADMINISTRATION

This page provides an overview of SSAFA's governance structure. Our Chief Executive, known as the Controller, is responsible to the charity's Trustees for the management of global activities from SSAFA's central office in London. The Controller chairs the Management Board, which oversees SSAFA's wide range of activities in support of the Armed Forces community. He is answerable to our National Chairman who is also Chairman of Council, our Trustee body.

Trustees are ultimately responsible for all matters concerning governance, strategic direction, legal operation and financial probity. They are selected for the working knowledge they have of SSAFA's activities and the individual skills they can contribute to the charity's direction. All are volunteers who are encouraged to get involved in any aspect of our work. They exercise authority only when making a majority decision at a duly constituted meeting of Council, comprising between seven and 17 members.

### PATRON

Her Majesty The Queen

### PRESIDENT

HRH Prince Michael of Kent

### VICE PRESIDENTS

Field Marshal The Rt Hon The Lord Bramall  
Lady Carleton-Smith (from January 2019)  
Lady Carter  
The Lady Dannatt  
The Baroness Fookes  
Air Chief Marshal Sir Michael Graydon  
The Lady Guthrie (retired December 2018)  
Lady Hillier  
Lieutenant Colonel (retd) Colin Hogg  
The Lady Houghton  
Surgeon Captain (retd) Alan McEwan  
Lady Peach  
The Lady Walker  
Lady Wall  
The Rt Hon The Lord Westbury

### CHAIRMAN

Lieutenant General (retd) Sir Gary Coward

### VICE CHAIRMEN

Wing Commander (retd) Kirsty Bushell  
Mr Jonathan Jelley (Strategic Development)  
(retired June 2019)

### HONORARY TREASURER

Mr David Rowe

### COUNCIL MEMBERS

Mr James Carleton  
Commodore (retd) Peter Cowling  
Colonel (retd) John Goodsir (retired June 2019)  
Warrant Officer Class 1 Glenn Haughton  
(from June 2019)  
Mrs Helen Kirkland (retired December 2018)  
Mr David McCorkell  
Mr Don McPhie (retired December 2018)  
Lieutenant Colonel (retd) Graham Meacher  
Mr Robert Murphy  
Air Vice-Marshal (retd) Charles Ness  
Mrs Sarah Rutherford-Jones  
Mr David Singletary  
Ms Evelyn Strouts  
Dr Diana Wood (from June 2018)

### CONTROLLER

Lieutenant General Sir Andrew Gregory

### SECRETARY AND FINANCE DIRECTOR

Mr Simon Blum

Officers of the Association (Chairman, Vice Chairmen and Treasurer) and Members of the Council are all Trustees. They are incorporated as a body operating under the Association's Royal Charter. One third of our Trustees are required to retire each year but are eligible for re-election by the Association.

## TRUSTEES' REPORT

We, the Trustees, are pleased to present the annual Trustees' Report and the consolidated financial statements of the Charity. These financial statements comply with SSAFA's governing document, the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and 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 (FRS 102) (effective 1 January 2015).

### OUR CHARITABLE OBJECT AND ACTIVITIES FOR THE PUBLIC BENEFIT

SSAFA is a public benefit entity. The Trustees have given due consideration to the Charity Commission published guidance on the operation of the Public Benefit requirement, and confirm that the objects of SSAFA, as established and incorporated, are to relieve the need, suffering and distress of all those who are serving or have served in the Armed Forces of the Crown, and their families and dependants. There are only two criteria for assistance: eligibility and need.

### SSAFA'S SERVICES CAN BE DIVIDED INTO THREE TYPES:

**Welfare advice and support** — our network of branches in local communities and service committees on military bases offer practical, financial and emotional support. We help regulars, reserves, veterans and their families with everything from financial hardship to family breakdown.

**Tailored support services** — we mentor service leavers and their families as they transition from the military to civilian life, support veterans in the criminal justice system, provide a support service to the UK Gurkha veteran community and have partnered with Age UK to offer a bespoke programme of support for veterans born before 1950, called Joining Forces.

We also help older veterans struggling with disability, sourcing practical items such as mobility aids or replacing household goods. We provide support to make sure families also have the help they need and offer a free confidential helpline, Forcesline, to give a wide range of financial, practical and emotional support to the Armed Forces community.

We offer long-term accommodation for older and disabled veterans and short-term housing for families of injured service personnel and victims of domestic violence. We also run a series of family support groups; ranging from families affected by injury or bereavement and those affected by the suicide of a loved one. We have a support forum for those in the military who have a family member with an additional need or disability which provides short break holidays for its members. In addition, SSAFA runs the UK's only adoption agency specifically designed for Armed Forces serving personnel.

**Health and social care services** — we provide primary and community health care, as well as social work services, on contract to the MOD in 12 countries, including the UK.

We are focused on continuing to ensure that the needs of the Armed Forces, veterans and their families are met in an appropriate and timely way. We exist to relieve need, suffering and distress amongst the Armed Forces, veterans and their families - to support their independence and dignity. Our five strategic aims deliver this through:

- 1. Understanding need:** We will ensure that we understand and adapt to the needs of those we support.
- 2. Effective support:** We will alleviate suffering and distress by providing appropriate, timely and effective support.
- 3. Awareness and understanding:** We will strive to be recognised, known and understood.
- 4. Sustainable resource:** We will ensure we have people with the right skills and sufficient time to deliver our services, underpinned by a sustainable income.
- 5. Collaborative working:** We will work collaboratively within the organisation and with external partners.

## OUR ACHIEVEMENTS AND PERFORMANCE IN 2018

- We supported 82,001 people with our charitable services in 2018. We continue to support our Armed Forces and their families in 12 countries, including across the UK.
- Our volunteers completed 35,819 visits and cases. Despite a decrease in overall volunteer numbers, there was only a slight decrease in the total number of visits and cases completed in 2018. It has become clear that many more cases were increasingly complicated to work through and find funding for in 2018. They took more time, visits and expertise to resolve. So, although the number of cases we handled went down, the commitment from our volunteers has grown.
- Our volunteer network raised £13.0 million for those who asked for our help, through applications to benevolent funds and other military and civilian charities.
- We dealt with 29,551 calls, emails and letters to Forcesline this year, 10.4% more than last year. The rise in people contacting Forcesline and the increase in complicated cases made 2018 very challenging. Calls from people in debt or needing support with housing continued to be the most common. However, we also saw a rise in calls relating to mental health – including an 11% increase in calls from people struggling with negative or suicidal thoughts.
- We supported 265 people through our mentoring programme. We arranged mentoring for 219 people and referred 46 to other organisations for more appropriate support. Our service also gained the National Council for Voluntary Organisations' mentoring accreditation – making SSAFA the only military charity mentoring service to receive this recognition.
- We helped 1,012 prisoners or family members of prisoners through our veterans in the criminal justice system and Prison In-reach programmes – which we merged into one service. This is an 84% increase on 2017.
- 9,721 people were helped this year by our Gurkha support service. The project offers a wide range of services across the UK, including Nepali speaking caseworkers, our translation services, English lessons and a comprehensive programme of raising awareness amongst healthcare service providers, the local community and Government.

- Glasgow's Helping Heroes, our partnership with Glasgow City Council, supported 276 people in the city. The project also won a public vote to receive £25,000 from the Nationwide Community Fund to launch a tenancy sustainment project.
- We placed 12 children with adoptive families. This is 33% more than 2017, and three of them were placed with LGBT+ households. We approved 11 new households to adopt, 45% of which were LGBT+ households and as result, we expect to place more children with LGBT+ adopters next year. We supported 46 families through our post-adoption support (PAS) service and saw an increase from 14 to 24 families attending either the PAS activity weekend or one-day training.
- Our Forces Additional Needs and Disability Forum (FANDF) held a 'myth-busting' conference in June 2018, hosted by the MOD, attended by professionals and experts who gave invaluable advice to the 66 family members who attended. The conference led to the FANDF committee meeting the Minister for Defence People and Veterans to highlight issues they face due to disability. We also ran two short breaks holidays for families supporting 27 adults and 34 children.

## IN 2018, WE HELPED 2,229 PEOPLE THROUGH OUR HOUSING SERVICES:

- 1,153 personnel and family members in Norton Homes
- 33 women and 32 children at Stepping Stone Home, Gildea House
- 862 residents at Fisher House
- 74 residents in our independent living accommodation, the Royal Homes in Wimbledon
- 75 residents in our bungalows across the country.

In 2018 we decided to sell St Vincents Residential Care Home and Longside Stepping Stone Home. Sales of both properties completed early in 2019.

In 2018, following the closure of the Defence Medical Rehabilitation Centre (DMRC) at Headley Court in Surrey, and its relocation to a larger site in the East Midlands, we closed our SSAFA Norton House, Headley Court and opened a new facility - Norton House, Stanford Hall. We can now continue to provide a free, safe and supportive 'home-from-home' for the families of those being treated nearby at the DMRC. We can also give service personnel receiving treatment some home comforts and a break from

the medical centre. Since opening in October 2018, Norton House, Stanford Hall has welcomed 305 serving personnel, veterans, friends and family members. Find out more at [ssafa.org.uk/stanford-hall](http://ssafa.org.uk/stanford-hall)

## HEALTH AND SOCIAL CARE SERVICES

In 2018, through our MOD contracts, we provided primary health care, community health care and social work services to more than 40,000 Armed Forces personnel and their families both in UK and another 11 countries across the world. This included support to more than 30,000 currently serving personnel.

Over the year we agreed reductions in our GP practices in Germany with the MOD. Three of our four practices will close by the end of 2019, with most of our associated staff being made redundant. One practice will remain open in Germany, with a second in Brussels, Belgium, until the contract ends in March 2020.

In the summer of 2018 we submitted our bid to deliver community healthcare and social work services in Cyprus from April 2019 onwards. This procurement has been delayed, although our current services have now been extended to mid-2020. In the interim, we continue to deliver innovative service improvements, such as eRedbook, the electronic patient held child health records, initially trialled in our service supporting Kenya.

The RAF Personal Support and Social Work Service supported 348 people with consultations (one-off support), referred 2,493 people for other support, and handled 234 welfare supervision cases. Whilst there was a decrease in referrals to our service these Personal Support and Social Work cases have become more complicated, needing more time and resources to resolve. The top three reasons people used the service were for support with physical health and disability, relationships and family issues, and mental health issues – with a significant increase in the latter.

## RAISING OUR PROFILE

In 2018, we had more than 4,000 pieces of coverage across national and regional newspapers, broadcast radio, and consumer and military press – 16% more than last year. We reached more than 792,005,680 people via media compared to 504,639,584 people in 2017 – a 57% increase. We launched our report, *'The Nation's Duty'*, at the beginning of Armed Forces Week and as a result secured 80 pieces of coverage including Sky News Sunrise, ITV News, The Telegraph and The Sun.

We reached more than 34 million people through our 'There then, here now' campaign, aimed at keeping the nation's history alive and filling the younger generation's knowledge gap of the First World War. We also reached 10 million people – and raised £10,000 to help veterans transition to civilian life – when we launched the Ant Middleton Fund.

## FUNDRAISING FOR OUR WORK

In 2018, we had another successful fundraising year. We raised £14.1 million (2017: £11.8 million) from donations, grants, legacies, events and trading activities, of which £2.2 million (2017: £2.3 million) was raised by volunteers in their local communities.

Against a backdrop of political, economic and regulatory change challenges, SSAFA's fundraising efforts delivered well on all fronts. Our strategy of diversifying our income generation activities again proved sound. Individual giving held steady despite the implementation of GDPR in May 2018. Our challenge and special events attracted new supporters and benefited from our 'There then, here now' campaign which drew traction from 2018's focus on commemorating the centenary of the Armistice. In addition, an appeal in support of SSAFA's new Norton House, Stanford Hall, following its relocation from Headley Court in Surrey, was well supported. Our corporate and commercial partnerships performed well and, along with support from our major donors, trusts and foundations, continue to make a vital contribution to SSAFA's work. In 2018, our key area of notable out-performance was legacy income, representing more than a third of all voluntary fundraising generated during the year.

We would like to extend a sincere thank you to all of our donors: individual, corporate, grant-givers and commercial partners, as well as other collaborating organisations, for their support over the last year.

#### **PARTICULAR THANKS GO TO:**

ABF The Soldiers' Charity  
Age UK  
Amey Defence Services  
Aramark Defence Services  
Armed Forces Covenant Fund Trust  
Army Central Fund  
BAE Systems  
Battle Proms  
BBC Children in Need  
City Bridge Trust  
ESS (Compass Group)  
Frank Ross Limited  
Fujitsu  
Great War Symphony  
Hattons of London  
Hermès  
LIBOR Fund  
Lloyd's Patriotic Fund  
Margarete Steiff GmbH  
Northrop Grumann  
Openreach  
Queen Mary's Roehampton Trust  
Rally for Heroes  
Royal Air Force Benevolent Fund  
Royal Navy and Royal Marines Charity and Greenwich Hospital  
Seafarers UK  
Sodexo  
The Barbara Naylor Charitable Trust  
The Michael Uren Foundation  
The Royal British Legion/Poppyscotland  
The Swire Charitable Trust  
The Syncona Foundation  
Thorntons  
Veterans' Foundation

#### **THE MILITARY WIVES CHOIRS**

The Military Wives Choirs Foundation is a registered subsidiary charity of SSAFA, the Armed Forces charity. There are more than 2,000 women with a military connection in our 75 choirs in the UK and on bases abroad, including Cyprus, Belgium, Germany, the Falkland Islands and the Netherlands. In 2018, their album 'Remember' reached number four in the Independent Albums Chart and 40 in the UK Official Albums Chart.

#### **LOOKING TO THE FUTURE**

It is vital that we continue to develop our support services to meet the current and future needs of the Armed Forces community. We need to adapt and evolve what we offer as their needs change. We will continue to monitor and analyse these changing needs in the service community, refining the support we deliver to service these unmet needs.

#### **WE COMMIT TO CONTINUE TO:**

- recruit, train and retain the highest-quality volunteers and employees to make sure we can continue to provide effective, timely support to those who need it most;
- meet our contractual obligations to provide high-quality health and social care to the Armed Forces in the UK and overseas, whilst effectively managing the drawdown and closure of health care services in Germany;
- continue to raise our profile and improve our external communications to raise awareness of our services, and to make sure those in need know we can help;
- invest in our fundraising capacity to maintain and increase our income so we can continue to meet the demand for our services and replace contract income, if and when we need to;
- work with and support the Confederation of Service Charities (COBSEO) and develop greater coherence and co-ordination with other military charities; and
- continually look for ways to be more efficient to make sure we use our money as effectively as possible to support our beneficiaries.

#### **FINANCIAL REVIEW**

As required, the accounts have been prepared under Charity SORP (FRS 102). To meet the requirements of the Office of the Scottish Regulator of Scotland, a Statement of Activities (with supporting notes) has also been prepared for the Charity (as shown on page 16).

#### **FINANCIAL OUTCOME**

The Consolidated Statement of Financial Activities for the year show that there was an overall deficit in the year (before defined benefit pension costs of £0.9 million (2017: £1.8 million)) of £1.3 million (2017: surplus of £0.8 million). This comprises a deficit on unrestricted funds of £1.6 million for the year (2017: surplus of £0.4 million) and a restricted fund surplus of £0.3 million (2017: £0.4 million).

Donations and legacies received in the year were £7.3 million (2017: £5.9 million) and £4.1 million (2017: £3.3 million) respectively. The costs of raising voluntary income were £671 thousand (2017: £547 thousand).

The branches continue, through their volunteer network, to raise significant funds of £13.0 million (2017: £13.0 million) from service and other charities to assist a wide variety of Forces-related individuals in need. At 31 December 2018, £2.0 million (2017: £1.9 million) was being held for unalmonised grants for imminent distribution to the individuals for whom the funds were raised.

Health and welfare activities contributed £2.3 million (2017: £2.3 million) to the Group. This includes the activities of SSAFA Family Health Services, which is responsible under contract for the delivery of health and social care services in Germany, Cyprus and the Falkland Islands, and the RAF Personal Support and Social Work Services in the UK. The principal Germany contract is provided under sub-contract to the Group's joint venture, SSAFA GSTT Care LLP. Whilst income and expenditure decreased significantly, the margin reflects improved cost-management initiatives. Costs incurred included £0.3 million for redundancies which arose as a result of the drawdown and relocation of patients and personnel to the UK from Germany, a programme which is due to be completed by 2020. These costs were reimbursed under the terms of the contract by the MOD and are included in turnover.

The pension fund deficit has decreased by £40 million to £5.5 million at the balance sheet date. The MOD made a contribution in respect of their liability during the year. Other changes in the valuation reflect an increase in

discount rate used to calculate the present value of fund liabilities to 2.8% (2017: 2.6%) offset against the lower return on investments experienced particularly around year end due to the economic climate and does not involve an outflow of cash.

#### **INVESTMENT POLICY**

SSAFA's investment policy is to produce the best financial return within an acceptable level of risk. The investment objective is to generate a return in excess of inflation over the long term whilst generating an income to support the ongoing activities of SSAFA branches. SSAFA has a broad range of income sources that would allow it to continue with its activities were markets to fall. The key long-term risk is inflation, and the investment assets are invested to mitigate this risk. The Trustees understand that this is likely to mean that investment will be concentrated in real assets (equities and property) and that therefore the capital value will fluctuate. As a result they are prepared to take more than a moderate amount of risk. SSAFA's investment assets can be invested widely and be diversified by asset class and by security. Asset classes can include cash, bonds, equities, property, hedge funds, structured products, private equity, commodities and any other asset that is deemed suitable as defined by the Charity Commission in CC 14. The Investment Policy has no ethical restrictions.

The majority of SSAFA's funds are invested in the Armed Forces Common Investment Fund, a fund specifically designed for service and ex-service charities. The objective of the fund is to achieve long-term growth of both capital and income.

Performance of the fund is measured against a benchmark constructed to represent a balanced portfolio of investments comprising UK and global equities, property and UK and overseas bonds. In 2018, the fund recorded a negative total return of 6.6%, which was below the benchmark. Dividends for the year were increased to 7.9p per unit.

#### **RESERVES POLICY**

Taking into account the long-term strategic plan that the Trustees agreed in 2018 and the pressures on income from the unavoidable decline in health and social care contracts, Trustees have agreed that the Charity needs to hold more significant reserves whilst the financial demands of the new strategy are understood in the context of falling income. At 31 December 2018, the level of unrestricted reserves which

were not represented by fixed assets was 1.69 years' of running costs (2017: 1.92 years).

At 31 December 2018, the unrestricted general reserves (which include designated funds) that were not represented by fixed assets amounted to £32.3 million (2017: £32 million) before any adjustment for the pension deficit under FRS 102. The Trustees accept the legal necessity to include the long-term FRS 102 pension liability in the Statement of Financial Activities. They do not, however, agree that this liability constitutes a diminution to reserves due to the liability position noted above. As reported, the MOD has made a contribution of £35 million during the year.

#### GRANT MAKING

Assistance from the unrestricted funds may be used only to relieve the need, suffering and distress of those eligible for our help, as described in the Objects of SSAFA. The Regulations of SSAFA do not permit our funds to be used for gifts, grants or subscriptions to charities, hospitals, schools or other funds, societies or institutions.

#### FUNDRAISING POLICIES

SSAFA carries out its core fundraising activities through a dedicated team of paid professional fundraisers managed from its London office, and through registered volunteers who engage in small-scale fundraising activities to help support branch-level activities.

SSAFA's central fundraising team generates income through a mix of grant, donation, contract, sponsorship and commercial activities. It also oversees branch-level fundraising activities and provides support, training and guidance to its volunteer fundraisers to ensure that the Fundraising Code is followed and that best practice and legal fundraising standards are applied consistently across the organisation.

As part of its activities to recruit individual supporters through payroll giving schemes, SSAFA engages three specialist Professional Fundraising Organisations (PFOs) to represent the charity. All such agreements are subject to legal contract, including how data is collected, stored, processed and shared.

SSAFA's merchandise and trading activities are managed through SSAFA Forces Help Enterprises Limited. Sponsorship and/or cause-affiliated marketing partnerships are managed through commercial participation agreements.

In anticipation of the implementation of General Data Protection Regulations in May 2018, SSAFA has updated its data processing policies to ensure that it is fully compliant in the processing and sharing of personal data. Data-sharing agreements are now in place with third-party partner organisations who support SSAFA's fundraising activities. SSAFA's policies relating to GDPR are reflected in the Data Privacy Notice that is included in all direct communications with supporters and beneficiaries, as well as the Privacy Policy which is displayed on SSAFA's website ([ssafa.org.uk/privacy](http://ssafa.org.uk/privacy)). In addition to having signed up for the Fundraising Preference Service, SSAFA also maintains its own suppression list. All volunteers and employees are mandated to complete training on GDPR.

SSAFA (The Soldiers', Sailors', Airmen's and Families' Association - Forces Help) is fully registered with the Fundraising Regulator, and in 2018 received two complaints, both of which were successfully resolved.

#### STRUCTURE, GOVERNANCE AND MANAGEMENT GOVERNING DOCUMENT

SSAFA The Soldiers', Sailors', Airmen's and Families' Association - Forces Help was established in 1885 under Royal Charter. SSAFA's Charter and Rules and Regulations were extensively revised in 2013 and approved by Council in January 2014. The Charter allows the Trustees to establish Regulations for the day-to-day management of the Charity. SSAFA is registered as a charity in England and Wales (Number 210760) in Scotland (Number SCO38056) and in Republic of Ireland (Number 20006082).

#### SUBSIDIARY CHARITIES

The Charity has three subsidiary Charities: The Royal Homes, regulated under a Charity Commission Scheme in 1998; the Aircrew Association Charitable Fund, regulated under a Charity Commission Scheme in 2012 and The Military Wives Choirs Foundation, which was established on 30 May 2012 as a private charitable company limited by guarantee, Company Number 08089745, Registered Charity Number 1148302 and in Scotland, Charity Number SCO45217. The Royal Homes and the Aircrew Association Charitable Fund are administered as part of SSAFA as a result of these schemes, and their results are included within the results of the Charity. The Military Wives Choirs Foundation is a subsidiary of SSAFA and prepares its own annual financial statements. These are not included in SSAFA's charity accounts but are consolidated within the

Group financial statements, which in addition to the Military Wives Choirs Foundation include the results of the Charity's three commercial subsidiaries.

#### SSAFA OPERATIONAL ENTITIES

Under the authority of Council, SSAFA operates three subsidiary companies and one Limited Liability Partnership. Each company is run for the benefit of the Charity by paid employees who fill the key posts of Managing Director, Finance Director and Company Secretary, and includes Trustees as additional external members of the Board. Each Company and the Limited Liability Partnership report as required to Companies House.

#### Details of the Companies and the Limited Liability Partnership are given below:

- SSAFA Family Health Services, a company limited by guarantee not having a share capital, Registered Number 3137764, was established to provide community health, social work and other services for the Armed Forces worldwide.
- SSAFA Care CIC, a Community Interest Company (CIC), limited by shares, Registered Number 06611709, is wholly owned by SSAFA Family Health Services. The CIC ceased trading in 2017 and was dormant throughout 2018 and was dissolved in March 2019.
- SSAFA Forces Help Enterprises Limited, a company limited by shares, Registered Number 2493614, was established as a trading company to sell Christmas cards and other merchandise, and enter into other non-charitable commercial arrangements.
- SSAFA CMS Limited, a company limited by shares, Registered Number 11148036, was established to develop and maintain "CMS" a software tool for use by the majority of military charities for managing casework within the military charity sector.
- SSAFA GSTT Care LLP, an LLP, Registered Number OC333462, is equally owned by SSAFA Family Health Services and Guy's and St Thomas' NHS Foundation Trust. The LLP was formed to provide health services to the MOD.

#### OTHER CHARITABLE JURISDICTIONS

In order to operate in Scotland, SSAFA has been registered with the Office of the Scottish Charity Regulator Register of Charities under number SC038056.

In order to operate in Gibraltar, SSAFA has been registered with the Charity Commissioners for Gibraltar Register of Charities under number 149. In order to operate in Cyprus, SSAFA has been registered with the Charity Commissioners for Cyprus Register of Charities under number 210760.

In order to operate in the Republic of Ireland, SSAFA has been registered with the Charities Regulator under number 20006082.

#### RISK MANAGEMENT

The Controller's Management Board meets monthly and reviews the Risk Register to ensure compliance. The Risk Committee reviews the Risk Management Policy and Register at each meeting. Areas of significant risk are reported to Council at each meeting. Council then seeks assurance from the Controller that all mitigating action is being or has been taken. In addition, Council formally approved the appointment of Mazars LLP as internal auditors and agreed a risk-focused internal audit plan with them, covering a variety of areas (including finance) across the organisation.

The reviews have identified that financial sustainability is the main financial risk for both the Charity and its subsidiaries.

#### KEY ELEMENTS IN THE MANAGEMENT OF THIS FINANCIAL RISK INCLUDE:

- having detailed financial planning and processes in place to ensure oversight and ongoing monitoring of the financial position;
- detailed contract planning. A principal financial risk facing the Charity's subsidiary, SSAFA Family Health Services, is related to the relocation of HM Forces from Germany to the UK. Income is associated to population bands, and the relationship between these bands, staffing levels and costs is not linear. The Company's Board is monitoring the situation and continuing to look for ways to streamline costs without impacting the delivery of the quality of services supplied, ensuring awareness and compliance of regulatory standards that impact the different activities carried out by the Group;
- preparation of a three-year fundraising strategy underpinned by regular reporting and forecasting processes and development of and investment in the fundraising team; and
- ensuring that branches' and committees' volunteers have

# INDEPENDENT AUDITOR'S REPORT

To the Trustees of The Soldiers', Sailors', Airmen's and Families' Association – Forces Help (SSAFA)

appropriate financial and other training and support available to them to aid them with the raising, recording, monitoring and the distributing of funds in delivering assistance to SSAFA's many beneficiaries.

The Group has some transaction and currency exchange rate risk given its international spread of activities. The objective of the Group in managing its liquidity risk is to ensure that it can meet its liabilities when they fall due. The Group expects to meet its financial obligations through operating cash flows. In the event that operating cash flows would not cover all the Group's financial obligations, Council is comfortable that suitable credit facilities are available.

The Group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. Certain Group entities are subject to a risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by strong on-going customer relationships.

Council is content that measures are in hand to manage and minimise all significant risks.

## AUDITOR

Trustees believe it is good practice to re-evaluate its professional advisers periodically, but have also informed Grant Thornton that its proposals to be re-appointed will be welcomed.

## TRUSTEES' RESPONSIBILITIES STATEMENT

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

The Charities Act 2011 and regulations made thereunder, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) requires the Trustees to prepare financial statements for each financial year. The Trustees have to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charity and the Group, and of the incoming resources and

application of resources, including the income and expenditure, of the Group for that period.

## IN PREPARING THESE FINANCIAL STATEMENTS, THE TRUSTEES ARE REQUIRED TO:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Charity's and Group's transactions, and disclose with reasonable accuracy at any time the financial position of the Charity and the Group and enable them to ensure that the financial statements comply with the Charities Act 2011 and regulations made thereunder, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the Charity and the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the Charity and financial information included on the Charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by Council on 18 June 2019

And signed on 18 June 2019 by



Lieutenant General  
Sir Gary Coward KBE CB  
Chairman

## OPINION

We have audited the financial statements of SSAFA, the Armed Forces charity (the 'parent charity') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Financial Activities, the Charity Statement of Financial Activities, the Consolidated Group and Charity Balance Sheets, the Consolidated Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

## IN OUR OPINION THE FINANCIAL STATEMENTS:

- give a true and fair view of the state of the Group's and parent charity's affairs as at 31 December 2018 and of the Group's and the parent charity'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 requirements of the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

## BASIS FOR OPINION

We have been appointed as auditor under sections 151 of the Charities Act 2011 and 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under those Acts. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent charity in accordance with the ethical requirements

that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council'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.

## WHO WE ARE REPORTING TO

This report is made solely to the Charity's Trustees, as a body, in accordance with Section 154 of the Charities Act 2011 and 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 Charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## 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 or the parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

## OTHER INFORMATION

The Trustees are responsible for the other information. The other information comprises the information included in the annual Trustee's Report, set out on pages 5 to 12 other than the financial statements and our auditor's report thereon. 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

# CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2018

with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Charities Act 2011 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the annual Trustees' Report is inconsistent in any material respect with the financial statements;
- the parent charity has not kept sufficient and proper accounting records;
- the parent charity's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## RESPONSIBILITIES OF TRUSTEES FOR THE FINANCIAL STATEMENTS

As explained more fully in the Trustees' Responsibilities Statement set out on page 12 the Trustees are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group's and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

accounting, unless the Trustees either intend to liquidate the Group or parent charity or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

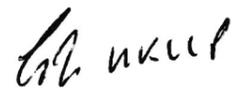
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [frc.org.uk/auditorsresponsibilities](http://frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## USE OF OUR REPORT

This report is made solely to the Charity's Trustees, as a body, in accordance with Section 154 of the Charities Act 2011 and 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 Charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants London

Date: 21 June 2019

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2018 £'000	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017 £'000
<b>INCOME FROM:</b>							
<b>Donations and legacies</b>	1	8,064	3,374	11,438	6,328	2,919	9,247
<b>Charitable activities</b>							
Contributions — Service/other charities	2	-	13,026	13,026	-	13,063	13,063
Health and welfare	2	16,132	689	16,821	16,325	716	17,041
Care and accommodation	2	1,163	509	1,672	1,179	539	1,718
Adoption services	2	343	-	343	247	-	247
<b>Total charitable activities</b>		<b>17,638</b>	<b>14,224</b>	<b>31,862</b>	<b>17,751</b>	<b>14,318</b>	<b>32,069</b>
<b>Other trading activities</b>							
Health services provided to NHS	12	-	-	-	2,110	-	2,110
Fundraising activities		2,194	-	2,194	2,126	68	2,194
Commercial activities		516	-	516	372	-	372
<b>Total trading activities</b>		<b>2,710</b>	<b>-</b>	<b>2,710</b>	<b>4,608</b>	<b>68</b>	<b>4,676</b>
<b>Investments</b>	3	1,272	42	1,314	1,192	84	1,276
<b>Other income</b>	4	35	-	35	128	35	163
<b>Total income</b>		<b>29,719</b>	<b>17,640</b>	<b>47,359</b>	<b>30,007</b>	<b>17,424</b>	<b>47,431</b>
<b>EXPENDITURE ON:</b>							
<b>Raising funds</b>							
Health services provided to NHS	5	-	-	-	2,164	-	2,164
Fundraising activities	5	2,106	-	2,106	2,249	-	2,249
Raising voluntary income	5	671	-	671	547	-	547
Other trading activities	5	116	-	116	102	-	102
<b>Total raising funds</b>		<b>2,893</b>	<b>-</b>	<b>2,893</b>	<b>5,062</b>	<b>-</b>	<b>5,062</b>
<b>Charitable activities</b>							
Grants payable	5	8,786	14,873	23,659	7,263	15,045	22,308
Provision of 'grant-aided' activities	5	-	629	629	-	665	665
Health and welfare	5	13,870	-	13,870	14,108	-	14,108
Care and accommodation	5	3,479	1,112	4,591	2,561	1,108	3,669
Adoption services	5	410	366	776	407	335	742
<b>Total cost of charitable activities</b>		<b>26,545</b>	<b>16,980</b>	<b>43,525</b>	<b>24,339</b>	<b>17,153</b>	<b>41,492</b>
<b>Total expenditure</b>		<b>29,438</b>	<b>16,980</b>	<b>46,418</b>	<b>29,401</b>	<b>17,153</b>	<b>46,554</b>
Net (losses)/gains on investments	12	(1,436)	(263)	(1,699)	896	190	1,086
Share of net resources from joint venture	12	2	-	2	(1)	-	(1)
Loss on sale of freehold property	11	(33)	-	(33)	-	-	-
Fair value adjustment on investment properties	12	-	-	-	(655)	-	(655)
Other defined benefit pension costs	20	(853)	-	(853)	(1,827)	-	(1,827)
Corporation tax charge	10	(498)	-	(498)	(507)	-	(507)
Transfer between funds	15	60	(60)	-	53	(53)	-
<b>Net (expenditure)/income</b>		<b>(2,477)</b>	<b>337</b>	<b>(2,140)</b>	<b>(1,435)</b>	<b>408</b>	<b>(1,027)</b>
<b>Other recognised gains and losses</b>							
Exceptional item - MOD contribution to pension scheme		35,000	-	35,000	-	-	-
Actuarial gains on defined benefit pension	20	6,258	-	6,258	7,869	-	7,869
Tax credit on intra-group donations	10	482	-	482	470	-	470
<b>Net movement in funds</b>		<b>39,263</b>	<b>337</b>	<b>39,600</b>	<b>6,904</b>	<b>408</b>	<b>7,312</b>
<b>RECONCILIATION OF FUNDS</b>							
<b>Total funds/(deficit) brought forward</b>	15	<b>322</b>	<b>6,289</b>	<b>6,611</b>	<b>(6,582)</b>	<b>5,881</b>	<b>(701)</b>
<b>Total funds carried forward</b>	15	<b>39,585</b>	<b>6,626</b>	<b>46,211</b>	<b>322</b>	<b>6,289</b>	<b>6,611</b>

The Consolidated Statement of Financial Activities includes all gains and losses recognised in the year.

All incoming resources and resources expended derive from continuing activities.

# CHARITY STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2018 £'000	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017 £'000
<b>INCOME FROM:</b>							
Donations and legacies	1	9,716	3,374	13,090	8,733	2,919	11,652
<b>Charitable activities</b>							
Contributions – service/other charities	2	-	13,026	13,026	-	13,063	13,063
Health and welfare	2	-	689	689	-	716	716
Care and accommodation	2	1,163	509	1,672	1,179	539	1,718
Adoption services	2	343	-	343	247	-	247
<b>Total charitable activities</b>		<b>1,506</b>	<b>14,224</b>	<b>15,730</b>	<b>1,426</b>	<b>14,318</b>	<b>15,744</b>
<b>Other trading activities – Fundraising</b>		<b>1,876</b>	<b>-</b>	<b>1,876</b>	<b>1,808</b>	<b>68</b>	<b>1,876</b>
Investments	3	1,270	42	1,312	1,189	84	1,273
Other income	4	906	-	906	1,067	35	1,102
<b>Total income</b>		<b>15,274</b>	<b>17,640</b>	<b>32,914</b>	<b>14,223</b>	<b>17,424</b>	<b>31,647</b>
<b>EXPENDITURE ON:</b>							
<b>Raising funds</b>							
Fundraising activities	5	2,100	-	2,100	2,433	-	2,433
Raising voluntary income	5	668	-	668	545	-	545
<b>Total raising funds</b>		<b>2,768</b>	<b>-</b>	<b>2,768</b>	<b>2,978</b>	<b>-</b>	<b>2,978</b>
<b>Charitable activities</b>							
Grants payable	5	7,604	14,676	22,280	6,706	14,979	21,685
Provision of 'grant-aided' activities	5	-	629	629	-	665	665
Health and welfare	5	857	-	857	909	-	909
Care and accommodation	5	3,476	1,112	4,588	2,559	1,108	3,667
Adoption services	5	409	366	775	407	335	742
<b>Total cost of charitable activities</b>		<b>12,346</b>	<b>16,783</b>	<b>29,129</b>	<b>10,581</b>	<b>17,087</b>	<b>27,668</b>
<b>Total expenditure</b>		<b>15,114</b>	<b>16,783</b>	<b>31,897</b>	<b>13,559</b>	<b>17,087</b>	<b>30,646</b>
Net (losses)/gains on investments	12	(1,436)	(263)	(1,699)	896	190	1,086
Fair value adjustment on investment properties	12	-	-	-	(655)	-	(655)
Loss on sale of freehold property	11	(33)	-	(33)	-	-	-
Other defined benefit pension costs	20	(853)	-	(853)	(1,827)	-	(1,827)
Transfer between funds	15	60	(60)	-	53	(53)	-
<b>Net (expenditure)/income</b>		<b>(2,102)</b>	<b>534</b>	<b>(1,568)</b>	<b>(869)</b>	<b>474</b>	<b>(395)</b>
<b>Other recognised gains and losses</b>							
Exceptional item - MOD contribution to pension		35,000	-	35,000	-	-	-
Actuarial gains on defined benefit pension	20	6,258	-	6,258	7,869	-	7,869
<b>Net movement in funds</b>		<b>39,156</b>	<b>534</b>	<b>39,690</b>	<b>7,000</b>	<b>474</b>	<b>7,474</b>
<b>RECONCILIATION OF FUNDS</b>							
<b>Total funds/(deficit) brought forward</b>	<b>15</b>	<b>171</b>	<b>6,022</b>	<b>6,193</b>	<b>(6,829)</b>	<b>5,548</b>	<b>(1,281)</b>
<b>Total funds carried forward</b>	<b>15</b>	<b>39,327</b>	<b>6,556</b>	<b>45,883</b>	<b>171</b>	<b>6,022</b>	<b>6,193</b>

The Charity Statement of Financial Activities includes all gains and losses recognised in the year.

All incoming resources and resources expended derive from continuing activities.

# CONSOLIDATED GROUP AND CHARITY BALANCE SHEETS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
<b>As at 31 December</b>					
<b>FIXED ASSETS</b>					
Tangible assets	11	13,152	14,494	13,150	14,490
Investments	12	25,902	22,546	25,912	22,556
Investment in joint venture	12	2	-	-	-
<b>Total fixed assets</b>		<b>39,056</b>	<b>37,040</b>	<b>39,062</b>	<b>37,046</b>
<b>CURRENT ASSETS</b>					
Debtors	13	3,801	4,477	3,263	3,937
Stock		36	39	-	-
Cash at bank and in hand		13,850	15,658	12,778	14,682
		<b>17,687</b>	<b>20,174</b>	<b>16,041</b>	<b>18,619</b>
<b>Creditors: Amounts falling due within one year</b>	14	<b>(5,029)</b>	<b>(4,695)</b>	<b>(3,717)</b>	<b>(3,564)</b>
<b>Net current assets</b>		<b>12,658</b>	<b>15,479</b>	<b>12,324</b>	<b>15,055</b>
Net assets excluding pension liability		51,714	52,519	51,386	52,101
Defined benefit pension scheme liability	20	(5,503)	(45,908)	(5,503)	(45,908)
<b>NET (LIABILITIES)/ASSETS</b>	<b>16</b>	<b>46,211</b>	<b>6,611</b>	<b>45,883</b>	<b>6,193</b>
<b>FUNDS</b>					
Unrestricted funds – general	15	43,407	44,455	43,149	44,304
Unrestricted funds – designated	15	1,681	1,775	1,681	1,775
Unrestricted funds – pension reserve	15	(5,503)	(45,908)	(5,503)	(45,908)
<b>Total unrestricted funds</b>	<b>15</b>	<b>39,585</b>	<b>322</b>	<b>39,327</b>	<b>171</b>
<b>Restricted funds</b>	<b>15</b>	<b>6,626</b>	<b>6,289</b>	<b>6,556</b>	<b>6,022</b>
<b>TOTAL FUNDS</b>	<b>15</b>	<b>46,211</b>	<b>6,611</b>	<b>45,883</b>	<b>6,193</b>

Approved by Council on 18 June 2019 and signed on 18 June 2019 by:

Lt General Sir Gary Coward KBE CB  
Chairman

Mr David Rowe  
Honorary Treasurer

The accompanying accounting policies and notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
<b>Net cash used in operating activities</b>	<b>A</b>	<b>1,585</b>	<b>260</b>
<b>Cash flows from investing activities</b>			
Dividends, interest and rents from investments	3	1,314	1,276
Purchase of tangible fixed assets	11	(459)	(851)
Proceeds on disposal of fixed assets		807	1
Purchase of investments	12	(5,250)	(1,500)
Proceeds from sale of investments	12	195	122
<b>Net cash used in investing activities</b>		<b>(3,393)</b>	<b>(952)</b>
<b>Change in cash and cash equivalents in the year</b>		<b>(1,808)</b>	<b>(692)</b>
Cash and cash equivalents at 1 January 2018		15,658	16,350
<b>Cash and cash equivalents at 31 December 2018</b>		<b>13,850</b>	<b>15,658</b>

Notes to the Consolidated Statement of Cash Flows		2018 £'000	2017 £'000
<b>A. Reconciliation of net expenditure to net cash flow from operating activities</b>			
Net expenditure for the year		(2,140)	(1,027)
<b>Adjustments for:</b>			
Depreciation	11	961	346
Loss on disposal of fixed assets		33	1
Impairment of fixed assets	12	-	655
Losses/(gains) on investments	12	1,697	(1,085)
Dividends, interest and rents from investments		(1,314)	(1,276)
Decrease in stock		3	1
Increase/(decrease) in creditors	14	318	(367)
Corporation tax charge		498	507
Change in pension liability	20	853	1,827
Decrease in debtors	13	676	678
<b>Net cash used in operating activities</b>		<b>1,585</b>	<b>260</b>

		2018 £'000	2017 £'000
<b>B. Analysis of cash and cash equivalents</b>			
Cash at bank and in hand		13,850	15,658

# PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies are summarised below

## BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention, with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011. The accounts (financial statements) have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The Charity constitutes a public benefit entity as defined by FRS 102.

## BASIS OF CONSOLIDATION

The financial statements consolidate those of the Charity, its subsidiary undertakings and its shares in joint ventures drawn up to 31 December each year. The results and balance sheets of the subsidiaries controlled by the Charity have been consolidated on a line by line basis. Control is achieved where the Charity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Branch and committee accounts (including those overseas) have been included in the Charity's and consolidated financial statements on a receipts and payments basis but adjusted for any accruals or prepayments where material.

## CHARITY STATEMENT OF CASH FLOWS

The Trustees have taken the exemption available under Para 1.11 of FRS 102 not to present a separate Charity Statement of Cash Flows.

## GOING CONCERN

The financial statements have been prepared on the basis that the Charity is a going concern. The Trustees consider that there are no material uncertainties about the Charity's ability to continue as a going concern. The Trustees accept the legal necessity to include the long-term FRS 102 defined pension scheme liability within the financial statements. They do not consider, however, that this liability constitutes a diminution to Reserves because in their view this liability lies with the MOD and not with the Charity (see note 20). The Charity had £45.1 million in unrestricted funds at 31 December 2018, excluding the FRS 102 pension liability. The Trustees therefore consider that the Charity has adequate resources to sustain operations for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

## INCOME

All income whether restricted or unrestricted is recognised in the Consolidated Statement of Financial Activities. When the Group has entitlement to the funds, the amount can be quantified reliably and it is probable that the income will be received.

Donations and other income generated from fundraising are recognised gross on a receivable basis. In the event that the donation is subject to conditions that require a level of performance before the Charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met or the fulfilment of those conditions is wholly within the control of the Charity and it is probable that those conditions will be fulfilled in the reporting period.

Donated services and gifts in kind are recognised as income when the Charity has control over the item or service, any conditions associated have been met, the receipt of economic benefit from the use by the Charity is probable and when economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), the time of the Charity's many volunteers is not recognised. However, refer to the annual Trustees' Report for details of their substantial contribution to the Charity.

Legacies are recognised once the receipt of the legacy becomes probable and quantifiable. Pecuniary legacies are usually recognised at the point that probate is granted. For residuary legacies, this will usually be at the earlier of cash receipt or when confirmation has been received from the representatives of the estates that payment will be made or property will be transferred and once all the conditions attaching to the legacies have been fulfilled. Where legacies have been notified to the Charity, or the Charity is aware of the granting of probate but the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material (see note 17).

Investment income is recognised when receivable.

Grants receivable from service funds and other charities for specific cases, which have not been almonised at the end of the year, are accrued and included as current liabilities. These amounts will be paid in the following year or returned to the relevant providers.

Income generated from providing health services to the NHS arises from a number of fixed-term contracts for which income is recognised as earned.

Fundraising income arises from a mixture of events and activities undertaken on a central and branch-wide basis and is recognised when receivable.

Health and welfare includes income generated from the provision of health and social care services to British Forces personnel and their dependants around the world. In calculating revenue on contracts, the Group makes certain estimates in respect to the compliance with performance-related indicators which the contracts are subject to. A different assessment may result in a different value being determined for revenue.

Care and accommodation income is generated through the provision of these services to the Charity's beneficiaries at a number of residential homes and cottages held by the Charity, and income from residential fees and other services is recognised when the income has been earned.

Adoption income arises through the provision of an adoption agency service for placing children with military families and is recognised when placements have been secured.

## EXPENDITURE AND THE BASIS OF ALLOCATION OF COSTS

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. All expenditure is accounted for on an accruals basis. All expenses including support costs and governance costs are allocated or apportioned to the applicable expenditure headings within the costs of raising funds and charitable activities. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with the use of resources. Direct costs, including directly attributable salaries, are allocated on an actual basis to the key strategic areas of activity.

Costs of raising funds are those incurred in attracting voluntary income (including through the holding of events, appeals and other fundraising initiatives), delivering a contract for services to the NHS and those incurred in generating income from trading activities.

## COSTS OF CHARITABLE ACTIVITIES INCLUDE THE FOLLOWING:

Grant payments made to or on behalf of individuals in the furtherance of the Charity's charitable object.

Grant-aided activities relate to costs associated with providing health and social care services to British Forces personnel and their dependants in far commands.

Health and welfare expenditure includes the direct costs of the welfare department at central office, with allocated communication and marketing costs, volunteer support costs (including training), branch and committee case work costs and branch office and staff costs in the provision of advice and assistance to those in need. This expenditure relates to the core services to British Forces personnel and their dependents around the world. Direct expenditure incurred in the Charity's subsidiary, The Military Wives Choirs Foundation, is also included within this category of expenditure.

Care and accommodation expenditure primarily relates to the running costs of the Charity's homes and other accommodation, and the care services provided to the Charity's beneficiaries therein.

Adoption expenditure relates to staff and sessional staff costs together with departmental running costs and facilitation of the Adoption Panel.

Support costs include central functions, such as management, finance, human resources and information technology. Governance costs are those associated with running the Charity, including Council and Committee expenses, audit and other costs associated with constitutional and statutory requirements. Support and governance costs are allocated across the categories of costs on the basis of staff numbers engaged in the activities therein as shown in note 6. The administrative charges for the provision of grant-aided activities and the provision of health and welfare services are calculated in accordance with the contractual agreements and directly charged to the relevant cost categories.

## TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets (excluding investment properties) are stated at cost and depreciated in equal instalments from either the date of purchase or the date brought into use at the following rates:

Land	Nil
Freehold buildings	50 years
Long leasehold buildings	50 years
Furniture and fittings	5 years
IT equipment	3 years
Motor vehicles down to 10%	Over 3 years

Additions to furniture, fittings and IT equipment valued at less than £2,000 are fully written off as revenue expenditure in the year of purchase unless they form part of a larger-scale project.

## INVESTMENT PROPERTIES

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change being recognised in the Consolidated Statement of Financial Activities.

## IMPAIRMENT OF ASSETS

At each year end, fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared to its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Statement of Financial Activities.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Consolidated Statement of Financial Activities.

## INVESTMENTS

Listed investments are included at bid price (which is deemed to be market value) at the balance sheet date and the Consolidated Statement of Financial Activities shows net investment gains and losses arising from revaluation of the investment portfolio and disposals during the year. Realised gains and losses on investments are calculated as the difference between the sales proceeds and their market value at the start of the year or their subsequent cost and are charged or credited to the Statement of Financial Activities in the year of disposal. Unrealised gains and losses represent the movement in market values during the year and are credited or charged to the Statement of Financial Activities based on market value at the year end.

Investments in subsidiaries are held at cost less impairment in the individual Charity financial statements.

Entities in which the Group holds an interest and which are jointly controlled by the Group and one or more other ventures under a contractual arrangement are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the equity method.

Joint ventures are recognised initially in the Consolidated Statement of Financial Activities at the transaction price, and subsequently adjusted to reflect the Group's share of total comprehensive income and equity of the joint venture, less any impairment. Losses in excess of the carrying amount of an investment in a joint venture are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the joint venture.

## FINANCIAL INSTRUMENTS

Both Group and Charity have only financial assets and financial liabilities of a kind that qualify as basic financial instruments.

## DEBTORS

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

## CREDITORS AND PROVISIONS

Short term trade creditors are measured at the transaction price, other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using an appropriate discount rate. The unwinding of the discount is recognised as a finance cost in the surplus or deficit in the period it arises.

## FUNDS ACCOUNTING

### Unrestricted funds

General funds are unrestricted funds that are available for use at the discretion of Council in furtherance of the objectives of the Charity.

Designated funds are unrestricted funds set aside at the discretion of Council for specific purposes. Details of designated funds held are given in note 15.

A pension reserve is shown separately within unrestricted funds to reflect the long-term, non-liquid nature of the pension liability.

### Restricted funds

Restricted funds are those donated for use in a particular area or for specific purposes, the use of which is restricted to that area or purpose and the restriction means that the related funds can only be used for the specific activities. Details of restricted funds held are given in note 15.

Except for The Royal Homes fund, no interest on cash balances is allocated to restricted funds, and no overheads or support costs are allocated except where material costs are incurred by a specific fund. Interest earned on restricted funds and most overhead and support costs if reasonably allocated are considered to be of low value. For both unrestricted and restricted funds, both the income and any investment gain or loss have been allocated to the individual funds holding the investment.

Any Gift Aid recovered on donations is treated as part of the related gift in either unrestricted or restricted funds respectively, unless the donor or the terms of the appeal have specified otherwise.

## OPERATING LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership of the leased assets to the Group. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the Consolidated Statement of Activities on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor.

## FOREIGN CURRENCY

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position are presented in Sterling (£).

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates to the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of the historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the Consolidated Statement of Financial Activities in the period in which they arise.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## CONTRIBUTIONS TO PENSION SCHEMES

The Group operates a defined benefit pension scheme that requires contributions to be made to a separately administered fund.

Scheme assets are measured at fair values. Scheme liabilities are measured annually on an actuarial basis using the projected unit method, and are discounted at appropriate high-quality corporate bond rates of equivalent currency and term of the scheme liabilities. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised over the period in which the benefit changes vest.

Interest on the scheme liabilities and the expected return on scheme assets are included in net interest payable.

The discount rate for the liabilities and the expected return on the assets is the same and is based on yield curve of high-quality corporate bonds.

Actuarial gains and losses are reported as recognised gains and losses in the Consolidated Statement of Financial Activities.

The Group also operates defined contribution schemes which are multi-employer schemes for which the assets and liabilities cannot be identified separately for the Group members. Pension costs charged in the Consolidated Statement of Financial Activities represent the contributions payable by the Group in the year.

## TAXATION

The Charity is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable object.

Corporation tax is chargeable on the profits generated by the subsidiary companies. These liabilities are recorded in the subsidiary company financial statements and relief against liabilities claimed on distribution of the profits to the parent charity.

Irrecoverable value-added tax is allocated to the category of expenditure to which it relates.

## SIGNIFICANT JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described above, Council are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Investment leasehold properties are shown at market value based on a professional valuation carried out in 2017. Council believe this is an appropriate carrying value. Pension liabilities are estimated based on professional actuarial valuations.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2018 £'000	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017 £'000
<b>1. DONATIONS AND LEGACIES</b>						
<b>Group</b>						
Donations	3,990	3,346	7,336	3,215	2,730	5,945
Legacies	4,074	28	4,102	3,113	189	3,302
	<b>8,064</b>	<b>3,374</b>	<b>11,438</b>	<b>6,328</b>	<b>2,919</b>	<b>9,247</b>

<b>Charity</b>						
Donations	5,642	3,346	8,988	5,620	2,730	8,350
Legacies	4,074	28	4,102	3,113	189	3,302
	<b>9,716</b>	<b>3,374</b>	<b>13,090</b>	<b>8,733</b>	<b>2,919</b>	<b>11,652</b>

The Charity received donations from its subsidiary companies of £2,507,000 in respect of 2018 results (2017: £2,443,000 donations).

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2018 £'000	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017 £'000
<b>2. INCOME FROM CHARITABLE ACTIVITIES</b>						
<b>Group</b>						
<b>Contributions from services and charities for individuals</b>	-	<b>13,026</b>	<b>13,026</b>	-	<b>13,063</b>	<b>13,063</b>
Community health and social services — UK and overseas	-	689	689	-	716	716
Health and welfare contracts incl share of joint venture	16,132	-	16,132	16,325	-	16,325
<b>Group health and welfare</b>	<b>16,132</b>	<b>689</b>	<b>16,821</b>	<b>16,325</b>	<b>716</b>	<b>17,041</b>
<b>Care and accommodation contributions</b>						
Stepping Stone Homes	219	-	219	233	-	233
Residential homes and cottages	861	-	861	866	-	866
Homes from Home	-	1	1	-	21	21
Royal Homes	-	508	508	-	518	518
Other	83	-	83	80	-	80
<b>Group care and accommodation contributions</b>	<b>1,163</b>	<b>509</b>	<b>1,672</b>	<b>1,179</b>	<b>539</b>	<b>1,718</b>
<b>Adoption income</b>	<b>343</b>	-	<b>343</b>	<b>247</b>	-	<b>247</b>
<b>Total income from charitable activities</b>	<b>17,638</b>	<b>14,224</b>	<b>31,862</b>	<b>17,751</b>	<b>14,318</b>	<b>32,069</b>

<b>Charity</b>						
<b>Contributions from services and charities for individuals</b>	-	<b>13,026</b>	<b>13,026</b>	-	<b>13,063</b>	<b>13,063</b>
<b>Community health and social services — UK and overseas</b>	-	<b>689</b>	<b>689</b>	-	<b>716</b>	<b>716</b>
<b>Care and accommodation contributions</b>						
Stepping Stone Homes	219	-	219	233	-	233
Residential homes and cottages	861	-	861	866	-	866
Homes from Home	-	1	1	-	21	21
Royal Homes	-	508	508	-	518	518
Other	83	-	83	80	-	80
<b>Charity care and accommodation contributions</b>	<b>1,163</b>	<b>509</b>	<b>1,672</b>	<b>1,179</b>	<b>539</b>	<b>1,718</b>
<b>Adoption income</b>	<b>343</b>	-	<b>343</b>	<b>247</b>	-	<b>247</b>
<b>Total income from charitable activities</b>	<b>1,506</b>	<b>14,224</b>	<b>15,730</b>	<b>1,426</b>	<b>14,318</b>	<b>15,744</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

3. INCOME FROM INVESTMENTS	Unrestricted Funds £'000	Restricted Funds £'000	Total 2018 £'000	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017 £'000
<b>Group</b>						
Listed investments	589	42	631	508	84	592
Bank deposits and unquoted investments	35	-	35	13	-	13
Rental income	648	-	648	671	-	671
<b>Total investment income</b>	<b>1,272</b>	<b>42</b>	<b>1,314</b>	<b>1,192</b>	<b>84</b>	<b>1,276</b>
<b>Charity</b>						
Listed investments	589	42	631	508	84	592
Bank deposits and unquoted investments	33	-	33	10	-	10
Rental income	648	-	648	671	-	671
<b>Total investment income</b>	<b>1,270</b>	<b>42</b>	<b>1,312</b>	<b>1,189</b>	<b>84</b>	<b>1,273</b>

4. OTHER INCOME	Unrestricted Funds £'000	Restricted Funds £'000	Total 2018 £'000	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017 £'000
<b>Group</b>						
Other income	35	-	35	128	35	163
<b>Charity</b>						
Management charges to subsidiary undertakings	871	-	871	939	-	939
Other income	35	-	35	128	35	163
	<b>906</b>	<b>-</b>	<b>906</b>	<b>1,067</b>	<b>35</b>	<b>1,102</b>

5. EXPENDITURE	Activities undertaken directly £'000	Support costs (see note 6) £'000	Total 2018 £'000	Total 2017 £'000
<b>Group</b>				
<b>Raising funds</b>				
Health services provided to NHS	-	-	-	2,164
Fundraising activities	2,048	58	2,106	2,249
Raising voluntary income	89	582	671	547
Other trading activities	116	-	116	102
	<b>2,253</b>	<b>640</b>	<b>2,893</b>	<b>5,062</b>
<b>Charitable activities</b>				
Grants payable	22,084	1,575	23,659	22,308
Provision of 'grant-aided' activities	599	30	629	665
Health and welfare	13,013	857	13,870	14,108
Care and accommodation	3,705	886	4,591	3,669
Adoption services	602	174	776	742
	<b>40,003</b>	<b>3,522</b>	<b>43,525</b>	<b>41,492</b>
<b>Total resources expended</b>	<b>42,256</b>	<b>4,162</b>	<b>46,418</b>	<b>46,554</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

5. EXPENDITURE Cont.	Activities undertaken directly £'000	Support costs (see note 6) £'000	Total 2018 £'000	Total 2017 £'000
<b>Charity</b>				
<b>Raising funds</b>				
Fundraising activities	2,042	58	2,100	2,433
Raising voluntary income	89	579	668	545
	<b>2,131</b>	<b>637</b>	<b>2,768</b>	<b>2,978</b>
<b>Charitable activities</b>				
Grants payable	20,710	1,570	22,280	21,685
Provision of 'grant-aided' activities	599	30	629	665
Health and welfare	-	857	857	909
Care and accommodation	3,705	883	4,588	3,667
Adoption services	602	173	775	742
	<b>25,616</b>	<b>3,513</b>	<b>29,129</b>	<b>27,668</b>
<b>Total resources expended</b>	<b>27,747</b>	<b>4,150</b>	<b>31,897</b>	<b>30,646</b>

Fundraising includes the cost of 'attracting' all voluntary income into the Charity.

WELFARE AND GRANTS PAYABLE	Unrestricted Funds £'000	Restricted Funds £'000	Total 2018 £'000	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017 £'000
<b>Group</b>						
From Charity funds	665	-	665	391	-	391
On behalf of service funds and other charities	-	13,128	13,128	-	13,142	13,142
Other welfare costs	8,121	1,745	9,866	6,872	1,903	8,775
	<b>8,786</b>	<b>14,873</b>	<b>23,659</b>	<b>7,263</b>	<b>15,045</b>	<b>22,308</b>

WELFARE AND GRANTS PAYABLE	Unrestricted Funds £'000	Restricted Funds £'000	Total 2018 £'000	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017 £'000
<b>Charity</b>						
From Charity funds	665	-	665	391	-	391
On behalf of service funds and other charities	-	13,128	13,128	-	13,142	13,142
Other welfare costs	6,939	1,548	8,487	6,315	1,837	8,152
	<b>7,604</b>	<b>14,676</b>	<b>22,280</b>	<b>6,706</b>	<b>14,979</b>	<b>21,685</b>

All grants were paid to or on the behalf of eligible individuals.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 8. EMPLOYEE AND STAFF COSTS Cont.

8 higher-paid staff members are accruing retirement benefits under the defined contribution scheme, and 7 higher-paid staff under the defined benefit schemes, with 6 other higher-paid staff not participating in these schemes. (2017: 8 higher-paid employees participated in the defined contribution scheme and 9 higher paid employees participated in the defined benefit scheme, with 5 others not participating in these schemes). Contributions in the year for the defined contribution scheme for higher-paid staff amounted to £30,000 (2017: £30,000).

Higher-paid staff include medical personnel employed from the MOD and other NHS contracts, some of which were transferred under TUPE arrangements from the MOD.

The key management personnel of the Charity comprise the Controller and the members of the Management Board. The cost of employing management personnel for the Charity was therefore £675,000 (2017: £706,000). This included no (2017: 1) individual employed on an interim contract basis.

The average number of UK contracted staff throughout the year for the Group and the Charity, analysed by activity, was:

	Charity 2018 Number	Contracts* 2018 Number	Total 2018 Number	Charity 2017 Number	Contracts* 2017 Number	Total 2017 Number
Voluntary income	3	-	3	3	-	3
Raising funds	35	-	35	32	13	45
Grants payable	74	-	74	69	-	69
Care and accommodation	46	-	46	54	-	54
Adoption services	10	-	10	10	-	10
Health and welfare	-	191	191	-	214	214
Community health/social service staff - 'grant-aided' activities	-	14	14	-	13	13
Management and support	32	9	41	33	9	42
<b>Total staff numbers</b>	<b>200</b>	<b>214</b>	<b>414</b>	<b>201</b>	<b>249</b>	<b>450</b>

\* Information for staff engaged in the provision of medical and social welfare services to the MOD and the NHS has been provided to differentiate them from staff primarily engaged in the provision of services to beneficiaries.

## 9. TRUSTEE REMUNERATION

Trustees are not remunerated. They are reimbursed expenses or amounts are paid on their behalf for attending meetings and duties directly related to their duties as Trustees. In 2018 total expenses of £9,000 (2017: £9,000) were paid for 13 (2017: 13) Trustees.

Trustee indemnity insurance is held as part of a wider policy covering volunteers and employees. The premium for Trustee insurance cannot be separately identified but is estimated at £2,500 (2017: £2,500).

## 10. TAXATION

	2018 £ '000	2017 £ '000
<b>UK corporation tax on ordinary activities</b>	<b>498</b>	<b>507</b>
<b>Tax credit on intra-group donations</b>		
Gift aid relief claimed on interim donation	(422)	(447)
Gift aid relief claimed on final donation	(60)	(23)
<b>Tax reported in other comprehensive income</b>	<b>(482)</b>	<b>(470)</b>
<b>The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained as follows:</b>		
<b>Net (expenditure)/income before taxation</b>	<b>(1,642)</b>	<b>(520)</b>
Tax on accounting surplus at 19% (2017: 19.25%)	(312)	(100)
Non-taxable income and expenditure	810	607
<b>Tax on results on ordinary activities</b>	<b>498</b>	<b>507</b>

**Tax reported in other comprehensive income** (482) (470)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 11. TANGIBLE FIXED ASSETS

	Freehold properties £'000	Long leasehold properties £'000	Motor vehicles £'000	IT, furniture & equipment £'000	Total £'000
<b>Group</b>					
<b>Cost</b>					
At 1 January 2018	15,129	1,116	75	1,093	17,413
Additions	423	-	-	36	459
Disposals	(976)	-	-	-	(976)
<b>At 31 December 2018</b>	<b>14,576</b>	<b>1,116</b>	<b>75</b>	<b>1,129</b>	<b>16,896</b>
<b>Depreciation</b>					
At 1 January 2018	1,516	316	67	1,020	2,919
Charge for year	866	18	-	77	961
Eliminated on disposal	(136)	-	-	-	(136)
<b>At 31 December 2018</b>	<b>2,246</b>	<b>334</b>	<b>67</b>	<b>1,097</b>	<b>3,744</b>
<b>Net book value</b>					
<b>At 31 December 2018</b>	<b>12,330</b>	<b>782</b>	<b>8</b>	<b>32</b>	<b>13,152</b>
<b>At 31 December 2017</b>	<b>13,613</b>	<b>800</b>	<b>8</b>	<b>73</b>	<b>14,494</b>

	Freehold properties £'000	Long leasehold properties £'000	Motor vehicles £'000	IT, furniture & equipment £'000	Total £'000
<b>Charity</b>					
<b>Cost</b>					
At 1 January 2018	15,129	1,116	75	1,081	17,401
Additions	423	-	-	36	459
Disposals	(976)	-	-	-	(976)
<b>At 31 December 2018</b>	<b>14,576</b>	<b>1,116</b>	<b>75</b>	<b>1,117</b>	<b>16,884</b>
<b>Depreciation</b>					
At 1 January 2018	1,516	316	67	1,012	2,911
Charge for year	866	18	-	75	959
Eliminated on disposal	(136)	-	-	-	(136)
<b>At 31 December 2018</b>	<b>2,246</b>	<b>334</b>	<b>67</b>	<b>1,087</b>	<b>3,734</b>
<b>Net book value</b>					
<b>At 31 December 2018</b>	<b>12,330</b>	<b>782</b>	<b>8</b>	<b>30</b>	<b>13,150</b>
<b>At 31 December 2017</b>	<b>13,613</b>	<b>800</b>	<b>8</b>	<b>69</b>	<b>14,490</b>

All assets are owned by the Charity except for The Military Wives Choirs Foundation's furniture and equipment of £2,000 (2017: £4,000) upon which depreciation of £2,000 (2017: £2,000) was charged.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. INVESTMENTS	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
<b>Investments comprise:</b>				
Freehold investment properties	7,842	7,842	7,842	7,842
Leasehold investment properties	795	795	795	795
Listed investments	17,265	13,909	17,265	13,909
Investments in subsidiaries	-	-	10	10
	<b>25,902</b>	<b>22,546</b>	<b>25,912</b>	<b>22,556</b>
<b>Investment properties at fair value</b>				
<b>As at 1 January 2018 and at 31 December 2018</b>	<b>7,842</b>	<b>795</b>	<b>7,842</b>	<b>795</b>

Investment properties, one leasehold and a part of the freehold SSAFA Headquarters property, were revalued at 31 December 2015, based on a valuation undertaken by Jones Lang Lasalle, an independent valuer with recent experience in the location and classes of the investment properties being valued. The valuations were prepared in accordance with the RICS Valuation - Professional Standards, January 2014 as published by the Royal Institution of Chartered Surveyors on the basis of Fair Value for current use. The Fair Value valuation for the leasehold investment property assumes vacant possession. There are no restrictions on the releasability of the freehold property. The Trustees consider that the professional valuations carried out in 2017 provide an adequate valuation for the investment properties at 31 December 2018 and have made an adjustment to the values reported in the financial statements to reflect anticipated vacant possession.

As set out in note 3, property rental income earned during the year was £648,000 (2017: £671,000). Both the freehold and investment properties are leased out under operating leases. Direct operating expenses arising on the freehold investment property generated rental income in the year of £118,000 (2017: £173,000). The Charity is additionally contractually obliged to carry out annual repairs and maintenance in respect of the leasehold investment property, which in the current year amounted to £42,000 (2017: £62,000) which is not subject to further recovery. SSAFA manages the maintenance of its investment properties internally.

At the balance sheet date, the Charity had contracted with tenants for the following future minimum lease payments:

	2018 £'000	2017 £'000
Within one year	279	401
In two to five years inclusive	916	1,405
After five years	418	585

Listed investments	Total £'000
<b>Group:</b>	
<b>Market value:</b>	
At 1 January 2018	13,909
Acquisitions	5,250
Receipts from disposal of investments	(195)
Realised and unrealised profits on revaluation	(1,699)
<b>At 31 December 2018 - Group</b>	<b>17,265</b>
Investment in subsidiary	10
<b>At 31 December 2018 - Charity</b>	<b>17,275</b>
<b>Historical cost at 31 December 2018</b>	<b>13,240</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. INVESTMENTS Cont.	2018 £'000	2017 £'000
<b>Listed investments are represented by:</b>		
Armed Forces Common Investment Fund Units	17,001	13,437
United Kingdom - Equities	264	472
	<b>17,265</b>	<b>13,909</b>

Investments within the portfolio which amount to more than 5% of total holdings as at 31 December 2018 were:

	2018 £'000	2017 £'000
<b>Armed Forces Common Investment Fund</b>	<b>17,001</b>	<b>13,437</b>

Any charges made by the fund manager for managing the fund are deducted in arriving at the income or gains available for distribution and can not be separately identified. There are no restrictions on the realisation of these investments.

## Subsidiary undertakings

As at the balance sheet date, the Charity owned the entire ordinary share capital (where applicable) of the following subsidiary undertakings:

Name	Holding	Activity
SSAFA Family Health Services	Limited by guarantee	Health and welfare services
SSAFA Forces Help Enterprises Limited	10,000 £1 ordinary shares	Sale of merchandise
The Military Wives Choirs Foundation	Limited by guarantee	Military Wives and other choirs
SSAFA CMS Limited	100 £1 ordinary shares	Casework management system

As at the balance sheet date SSAFA Family Health Services owned the entire share capital of SSAFA Care CIC consisting of one £1 ordinary share. The company did not trade throughout 2018 and was dissolved in March 2019.

Details of the subsidiaries' profit and loss accounts are as given below. These undertakings (excluding the charitable subsidiary) donate their taxable profits to the Charity each year.

The assets and liabilities of each subsidiary as extracted from the latest financial statements were:

	SSAFA Family Health Services		SSAFA Forces Help Enterprises Limited		SSAFA Care CIC		SSAFA CMS Limited		Military Wives Choirs Foundation	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Total assets	2,137	1,511	428	484	-	12	107	-	317	431
Total liabilities	(2,100)	(1,494)	(156)	(239)	-	(12)	(107)	-	(288)	(254)
	<b>37</b>	<b>17</b>	<b>272</b>	<b>245</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>177</b>
<b>Represented by:</b>										
Share capital	-	-	10	10	-	-	-	-	-	-
Reserves	37	17	262	235	-	-	-	-	29	177
	<b>37</b>	<b>17</b>	<b>272</b>	<b>245</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>482</b>
<b>The results for the year were:</b>										
Income	16,133	16,326	500	422	-	2,110	702	-	638	315
Expenditure	(14,298)	(14,532)	(214)	(185)	-	(2,013)	(702)	-	(786)	(620)
<b>Net income/(expenditure)</b>	<b>1,835</b>	<b>1,794</b>	<b>286</b>	<b>237</b>	<b>-</b>	<b>97</b>	<b>-</b>	<b>-</b>	<b>(148)</b>	<b>(305)</b>
Donation to charity under Gift Aid	(2,242)	(2,233)	(294)	(79)	-	(132)	-	-	-	-
Tax relief	427	430	56	15	-	25	-	-	-	-
Reserves brought forward	17	26	214	62	-	10	-	-	177	482
<b>Retained in subsidiary</b>	<b>37</b>	<b>17</b>	<b>262</b>	<b>235</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>177</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 12. INVESTMENTS Cont.

### Joint venture

The provision of primary health care services in North West Europe are performed by the Charity's joint venture, SSAFA GSTT Care LLP. The Group holds 50% of the capital of SSAFA GSTT Care LLP, held at a cost of £1 by SSAFA Family Health Services.

A summary of the Group's share of the joint venture:	SSAFA GSTT Care LLP 2018 £'000	SSAFA GSTT Care LLP 2017 £'000
<b>Turnover</b>	<b>10,011</b>	<b>9,528</b>
<b>Expenditure</b>	<b>(10,009)</b>	<b>(9,530)</b>
<b>Profit/(loss) before and after tax</b>	<b>2</b>	<b>(2)</b>
Current assets	1,004	2,914
Liabilities due within 1 year	(1,002)	(2,916)

All income and expenditure through the joint venture are included in health and welfare activities as shown in the Group Statement of Financial Activities.

13. DEBTORS	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
Trade debtors	1,183	907	397	663
Amounts owed by subsidiary undertakings	-	-	1,294	874
Amounts owed by related undertakings	765	903	-	-
Other debtors	39	51	39	51
Prepayments and accrued income	1,814	2,616	1,533	2,349
<b>Total debtors</b>	<b>3,801</b>	<b>4,477</b>	<b>3,263</b>	<b>3,937</b>

Amounts owed by Group undertakings are repayable on demand and no interest is payable. All amounts are due within one year.

14. CREDITORS	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
<b>Amounts falling due within one year:</b>				
Trade creditors	510	325	279	147
Other tax and social security costs	538	598	502	528
Other creditors	325	408	325	408
Unalmonised grants	2,043	1,884	2,043	1,884
Accruals and deferred income	1,613	1,480	568	597
<b>Total creditors</b>	<b>5,029</b>	<b>4,695</b>	<b>3,717</b>	<b>3,564</b>

There are no secured debts included in creditors (2017: nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

15. FUNDS	Balance at 1 January 2018 £'000	Incoming resources £'000	Resources expended £'000	Other movements £'000	Balance at 31 December 2018 £'000
<b>General funds</b>	<b>44,455</b>	<b>29,719</b>	<b>(29,394)</b>	<b>(1,373)</b>	<b>43,407</b>
<b>Designated funds</b>					
Carmichael Walker Fund	376	-	(7)	(34)	335
Royal Patriotic Fund	1,399	-	(53)	-	1,346
<b>Total designated funds</b>	<b>1,775</b>	<b>-</b>	<b>(60)</b>	<b>(34)</b>	<b>1,681</b>
<b>Pension reserve</b>	<b>(45,908)</b>	<b>-</b>	<b>(853)</b>	<b>41,258</b>	<b>(5,503)</b>
<b>Total unrestricted funds</b>	<b>322</b>	<b>29,719</b>	<b>(30,307)</b>	<b>39,851</b>	<b>39,585</b>
<b>Restricted funds</b>					
Welfare and case grants	1,084	2,179	(1,306)	-	1,957
Housing	25	462	(148)	-	339
Homes from Home appeal	80	39	(119)	-	-
UK Armed Forces and other charities	-	12,974	(12,974)	-	-
UK Armed Forces 'grant-aided' activities	-	689	(629)	(60)	-
The Royal Homes	2,151	509	(841)	(150)	1,669
Miscellaneous branch funds	1,966	268	(154)	(113)	1,967
Adoption services	277	362	(365)	-	274
Welfare funds	439	158	(247)	-	350
<b>Total restricted funds – Charity</b>	<b>6,022</b>	<b>17,640</b>	<b>(16,783)</b>	<b>(323)</b>	<b>6,556</b>
Military Wives Choirs Foundation	267	-	(197)	-	70
<b>Total restricted funds - group</b>	<b>6,289</b>	<b>17,640</b>	<b>(16,980)</b>	<b>(323)</b>	<b>6,626</b>
<b>Total (deficit)/ funds - Group</b>	<b>6,611</b>	<b>47,359</b>	<b>(47,287)</b>	<b>39,528</b>	<b>46,211</b>
<b>General funds</b>					
SSAFA Family Health Services	(17)	-	-	-	(37)
SSAFA Forces Help Enterprises Limited	(235)	-	-	-	(256)
SSAFA CMS Limited	-	-	-	-	-
Share of joint venture	(1)	-	-	-	2
Military Wives Choirs Foundation	(177)	-	-	-	(37)
<b>Total (deficit)/funds – Charity</b>	<b>6,181</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,883</b>

### Funds are held for use for the following purposes:

#### General funds

General funds are available for use at the discretion of Council to further the Charity's objectives.

#### Designated funds

**Carmichael Walker Fund** – for use on charitable activities in the North East of England.

**Royal Patriotic Fund** – having accepted the funds and obligations of the Royal Patriotic Fund Corporation on 27 May 2011, the assets attaining have been designated for the purposes of the Royal Patriotic Fund Corporation.

#### Restricted funds

**Welfare and case grants** – includes funding received from the Armed Forces Covenant (LIBOR) Fund for four projects: Short Breaks, Mutual Support, Mental Health First Aid and Mentoring.

**Housing** – provides funding for Stepping Stone Homes for families of serving personnel.

**Homes from Home Appeal** – to provide funding for families visiting injured service men and women at the Norton House, Headley Court and Norton House, Selly Oak.

**UK Armed Forces and other charities** – contributions received from these bodies to provide grants to individuals for welfare purposes.

**UK Armed Forces-grant-aided** – received under grant in aid to reimburse the costs incurred in the provision of community health and social services.

**The Royal Homes** – a charity providing residential facilities linked with the Charity's activities under a Charity Commission Scheme in 1998.

**Miscellaneous branch funds** – funds which have been received by branches for specific use in their local areas.

**Adoption** – providing funding to support an adoption service for Armed Forces serving families.

**Military Wives Choirs Foundation** – grants were awarded for projects supporting the welfare of wives of military personnel.

**Welfare funds** – income or capital received which may only be applied in the provision of welfare services to eligible individuals in need. Included under this heading is The Aircrew Association Charitable Fund, a subsidiary charity.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

	General 2018 £'000	Designated 2018 £'000	Restricted 2018 £'000	Total 2018 £'000
<b>16. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS</b>				
<b>Fund balances at 31 December 2018 are represented by:</b>				
Tangible fixed assets	12,838	-	314	13,152
Investments	23,150	312	2,442	25,904
Net current assets	7,419	1,369	3,870	12,658
Defined benefit pension liability	(5,503)	-	-	(5,503)
<b>Total net assets between funds</b>	<b>37,904</b>	<b>1,681</b>	<b>6,626</b>	<b>46,211</b>

	General 2017 £'000	Designated 2017 £'000	Restricted 2017 £'000	Total 2017 £'000
<b>Fund balances at 31 December 2017 are represented by:</b>				
Tangible fixed assets	14,180	-	314	14,494
Investments	20,131	318	2,097	22,546
Net current assets	10,144	1,457	3,878	15,479
Defined benefit pension liability	(45,908)	-	-	(45,908)
<b>Total net assets between funds</b>	<b>(1,453)</b>	<b>1,775</b>	<b>6,289</b>	<b>6,611</b>

## 17. CONTINGENT ASSETS

Neither the Group nor the Charity have identified any contingent assets due either at 31 December 2018 nor at 31 December 2017.

## 18. CAPITAL COMMITMENTS

The Group had capital commitments of £201,000 at 31 December 2018 (2017: £Nil).

## 19. BANK GUARANTEE

The Charity has guaranteed overdraft facilities for its charitable trading subsidiary, SSAFA Family Health Services, up to £1 million. As additional security, the bank holds a debenture over the assets of SSAFA Family Health Services.

## 20. RETIREMENT BENEFITS

The total contributions made by the Group in the year were:

	2018 £'000	2017 £'000
Local Government Pension Scheme	1,292	1,254
Aviva Group Personal Pension Plan	436	415
NHS Pensions Scheme	50	53
<b>Total contributions</b>	<b>1,778</b>	<b>1,722</b>

### Scottish Widows Money Growth Plan

SSAFA operates a defined contributions pension scheme for the benefit of SSAFA's employees. The assets of the scheme are administered by Trustees in a fund independent from those of the Charity. The charge for the year represents those contributions payable to the scheme in respect of the accounting period.

SSAFA had no active members in the scheme as at 31 December 2018 (2017: 3) and total pension scheme contributions outstanding at year end amounted to £nil (2017: £nil).

### Aviva Group Personal Pension Plan

SSAFA operates a defined contributions pension scheme for the benefit of SSAFA's employees. The assets of the scheme are administered by Trustees in a fund independent from those of the Charity. The charge for the year represents those contributions payable to the scheme in respect of the accounting period.

SSAFA had 328 active members in the scheme as at 31 December 2018 (2017: 271) and total pension scheme contributions outstanding at the year end amounted to £53,000 (2017: £48,000).

### NHS Pensions Scheme

Following the transfer of staff to SSAFA from the MOD, SSAFA currently participates in the NHS Pensions Scheme. The NHS Pension Scheme is an unfunded multi-employer defined benefit scheme. The assets of the scheme are administered by NHS Pensions in a fund which is independent of SSAFA. The charge for the year represents those contributions payable to the scheme in respect of the accounting period. Entry into this scheme is strictly limited to employees transferring to SSAFA from the NHS and at 31 December 2018, the Association had 9 (2017:9) active members in this scheme.

The pension scheme contributions outstanding at the end of the accounting period amounted to £3,000 (2017: £7,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 20. RETIREMENT BENEFITS (continued)

### Local Government Pension Scheme (LGPS)

SSAFA participates in a defined benefit scheme with contributions paid by the employer. The scheme is a multi-employer scheme administered by the London Pension Fund Authority (LPFA) and is only open to certain categories of SSAFA's employees. The scheme is closed to new members.

At 31 December 2018 the Association had 75 active members (2017: 84).

The last actuarial valuation of the scheme was at 31 March 2016 using the projected unit method and the attained age method, dependent on the fund being valued. At the valuation date the market value of the LPFA assets was £4,515 million in comparison to the actuarial value of benefits that had accrued to members of £4,698 million. Accordingly, as at 31 March 2017 there was a deficit of £183 million. A three-year additional payment plan commenced in April 2017 to contribute towards this deficit. Although the London Pension Fund Authority is a multi-employer scheme, it has been able to allocate assets and liabilities relating to SSAFA Forces Help and these are disclosed below.

The employer contributed 16.07% during the year and the employee contribution rate ranges from 5.5% to 10.5% depending on the full-time annual rate of pay.

At 31 December 2018 the valuation was updated in accordance with FRS 102 and in line with the assumptions used in the 2018 scheme valuation. The major assumptions used by the actuary were:

Assumptions as at	31 December 2018 % p.a.	31 December 2017 % p.a.
RPI increases	3.4%	3.6%
CPI increases	2.4%	2.7%
Salary increases	3.9%	4.2%
Pension increases	2.4%	2.7%
Discount rate	2.8%	2.6%

### Mortality assumption

The post-retirement mortality tables are based on Club Vita analysis. These base tables are then projected using the CMI 2012 Model allowing for a long-term rate of improvement of 1.5% per annum.

**Assumptions:** members will exchange half of their commutable pension for cash at retirement and active members will retire at one retirement age for all tranches of benefit, which will be the pension-weighted average tranche retirement age. No members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

### Assets

The estimated asset allocation as at 31 December 2018 is as follows:

	31 December 2018 % p.a.	31 December 2017 % p.a.
Equities	54%	61%
Target Return Portfolio	28%	20%
Infrastructure	6%	5%
Property	9%	7%
Cash	3%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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

	2018 £'000	2017 £'000
<b>Statement of financial position as at 31 December 2018</b>		
Fair value of scheme assets (bid value)	101,849	69,516
Present value of funded obligations	(107,352)	(115,424)
<b>Net pension liability</b>	<b>(5,503)</b>	<b>(45,908)</b>

The Trustees accept the legal necessity to include the FRS 102 pension liability in the Consolidated Statement of Financial Activities. They do not, however, agree that this liability constitutes a diminution to Reserves. During the year the MOD made a contribution of £35 million to the pension scheme.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 20. RETIREMENT BENEFITS (continued)

Reconciliation of defined benefit obligation:	2018 £'000	2017 £'000
Opening defined benefit obligation	115,425	116,404
Current service cost	1,307	1,375
Interest cost	2,967	3,107
Change in financial assumptions	(9,639)	1,970
Experience gain on defined benefit obligation	-	(4,697)
Past service costs	67	420
Contributions by scheme participants	252	297
Estimated benefits paid (net of transfers in)	(3,027)	(3,451)
<b>Closing defined benefit obligation</b>	<b>107,352</b>	<b>115,425</b>

Reconciliation of fair value of employer assets:	2018 £'000	2017 £'000
Opening fair value of scheme assets	69,516	64,454
Interest on assets	2,241	1,717
Return on assets less interest	(3,381)	4,350
Administration expenses	(90)	(84)
Other actuarial gains	-	791
Contributions by employer (including unfunded)	36,338	1,442
Contributions by scheme participants	252	297
Estimated benefits paid (net of transfers in and including unfunded)	(3,027)	(3,451)
<b>Closing fair value of employers assets</b>	<b>101,849</b>	<b>69,516</b>

The actual return on plan assets over the year ended 31 December 2018 was a reduction of £1,140,000 (2017: £6,067,000 return).

Defined benefit costs recognised in the Statement of Financial Activities	2018 £'000	2017 £'000
Service cost – including current service cost of £1.6 million recognised in charitable activities	1,374	1,795
Net interest on the defined liability	726	1,390
Administration expenses	90	84
<b>Defined benefit costs recognised in the Statement of Financial Activities</b>	<b>2,190</b>	<b>3,269</b>

Re-measurement of the net assets/(defined liability)	2018 £'000	2017 £'000
Return of fund assets in excess of interest	(3,381)	4,350
Other actuarial gains on assets	-	792
Change in financial assumptions	9,639	(1,970)
Experience gain on defined benefit obligation	-	4,697
<b>Re-measurement of the net assets/(defined liability)</b>	<b>6,258</b>	<b>7,869</b>

Reconciliation of opening and closing deficit:	2018 £'000	2017 £'000
Deficit at beginning of the year	(45,908)	(51,950)
Current service cost	(1,307)	(1,375)
Past service cost	(67)	(420)
Employer contributions	36,337	1,442
Other finance income	(726)	(1,390)
Actuarial (losses)/gains	6,258	7,869
Administrative expenses	(90)	(84)
<b>Deficit at end of the year</b>	<b>(5,503)</b>	<b>(45,908)</b>

The estimated employer's contribution for the year to 31 December 2019 will be approximately £1,309,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 21. FINANCIAL ASSETS AND LIABILITIES

Group	2018 £'000	2017 £'000
<b>Financial assets</b>	<b>34,916</b>	<b>34,044</b>
<b>Financial liabilities</b>	<b>5,029</b>	<b>4,695</b>

Charity	2018 £'000	2017 £'000
<b>Financial assets</b>	<b>33,306</b>	<b>32,528</b>
<b>Financial liabilities</b>	<b>3,717</b>	<b>3,564</b>

## 22. RELATED PARTY TRANSACTIONS

The Charity has taken advantage of the exemption under FRS 102 not to disclose transactions with wholly owned subsidiaries.

The following transactions took place between SSAFA Family Health Services, a wholly owned subsidiary and, SSAFA GSTT Care LLP, a joint venture investment in which SSAFA has a 50% interest.

	2018 £'000	2017 £'000
<b>Sales to SSAFA GSTT Care LLP</b>	<b>8,638</b>	<b>8,733</b>
<b>Amounts due from SSAFA GSTT Care LLP</b>	<b>696</b>	<b>889</b>



**SSAFA, the Armed Forces charity, has been providing lifelong support to our Forces and their families since 1885. Last year our teams of volunteers and employees helped more than 82,000 people in need, from Second World War veterans to those who have served in more recent conflicts, and their families.**

**SSAFA understands that behind every uniform is a person. And we are here for that person – any time they need us, in any way they need us, for as long as they need us.**

#### **NEED TO TALK?**

SSAFA's Forcesline is a free and confidential helpline providing advice and information for serving personnel, reserves, veterans and their families, and is completely independent of the chain of command.

- Call **0800 731 4880** Lines open 09.00 to 17.30 weekdays
- Visit **[ssafa.org.uk/forcesline](https://ssafa.org.uk/forcesline)**

To make a donation and help us provide lifelong support to our Armed Forces and their families:

- Call **020 7403 8783**
- Visit **[ssafa.org.uk/give](https://ssafa.org.uk/give)**



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