



The Royal Star
& Garter Homes
Caring for the nation's military family since 1916

Annual Report & Accounts

For the year ended 31 December 2015





The Royal Star & Garter Homes

Caring for the nation's military family since 1916



Residents, relatives, staff and
volunteers all play a part in making
our Homes what they are: happy and
welcoming places to live and work.

We believe that **people** make a home.

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Chairman's Report

It is a great privilege to have been appointed as Chairman of this great Charity, and to be providing this report in our Centenary year.

Established in 1916, our mission has always been to provide the highest quality of care for the ex-Service community. To achieve the necessary support which helps our residents to live their lives to the full, we invest heavily in our facilities and staff, and our teams provide a wide range of therapies and activities which make The Royal Star & Garter Homes so special.

The nature of the care we provide has changed over the years. In 1916, we looked after young ex-Servicemen who had been severely disabled during the First World War. Today, we primarily provide care for older ex-Servicemen and women and their spouses or partners who are living with a disability or dementia.

Transforming our Charity

I would like to thank everyone who has been involved with our Charity over the past 100 years. We owe a tremendous debt of gratitude to our volunteers, supporters, staff, residents and their families, and also to our Governors.

Our Charity has evolved continuously over the past century, and I would particularly like to thank Sir John Dunt (my predecessor as Chairman) and Mike Barter (our Chief Executive until January 2016) for leading the current phase in our development.

We have completed a comprehensive transformation over the past few years and this has renewed the fabric of our Charity, which is a clear sign of our commitment to provide the highest quality of care for residents. Our venerable building in Richmond was completed in 1924, and this was our Home for 90 years. When we assessed that this building would limit our ability to provide the quality of care which our residents deserve, we decided to create three new purpose-built, state-of-the-art Homes which would enable us to provide the highest quality of care for generations to come.

To achieve our high standards:

- We continually explore new developments in care provision and implement approaches that will help us to maintain and improve the quality of person-centred care which we provide for all our residents.
- We invest in recruiting and training the very best professional teams so that we provide outstanding care and create a warm, caring and homely environment for our residents so they are able to live their lives to the full.

- We design our Homes so they provide a wonderful home for residents, and incorporate leading-edge technology to assist in the provision of care, with plenty of private space for residents to treat as their own, with shared spaces and a tremendous range of activities which bring residents and their families, and our staff, and volunteers together into one community.

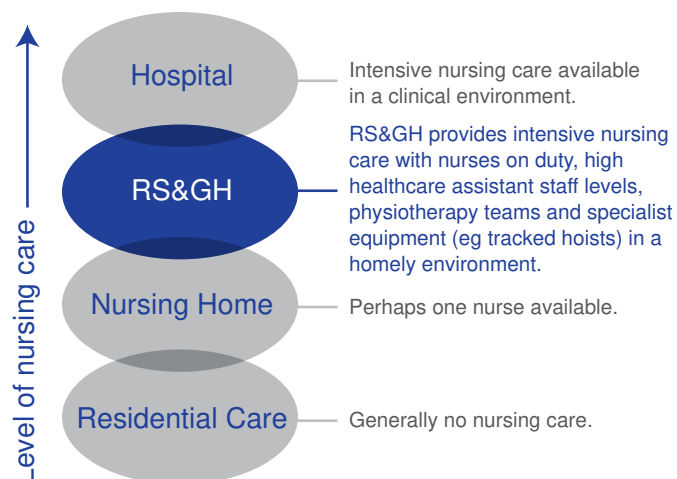
Other significant developments in the year included:

- Our Solihull Home celebrated its seventh birthday during 2015. This Home has capacity for 60 residents, including specially designed accommodation for 15 residents living with dementia. Our aim is to achieve a 'best-in-class' approach to person-centred care for residents with significant needs. We are delighted that the quality of the Home's work was recognised with two awards in the 2015 National Dementia Care Awards.
- We opened our Surbiton Home in 2013. We are still investing heavily in our staff to enable them to take advantage of the new facilities as we grow towards full capacity. The Surbiton Home has capacity for 63 residents, including 26 who live in specially-designed dementia communities within the Home.
- We received planning approval for our new High Wycombe Care Home in November 2015, and completed the purchase of the land in February 2016. We have appointed building contractors and started building in March 2016. If all goes to plan, we expect that residents will start moving in at the beginning of 2018. Our plans include capacity for 74 residents including 30 living with dementia.
- We received the final instalment of the proceeds from the sale of our Richmond buildings in February 2016, and Governors have designated these funds for specific purposes which will enable us to develop the Charity's work for beneficiaries as set out in the Annual Report and Accounts.

The Challenges Ahead

Although we are well placed to develop our work, we continue to face significant challenges which include insufficient government funding for the provision of care for the elderly and disabled and recent changes in fundraising regulations.

We believe that our work falls into an important niche in the spectrum for the provision of care, which can be illustrated by the following model:



This means that the Charity's cost of care is significantly higher than traditional care homes and reflects the cost of the staff needed to support disabled residents and those living with dementia. The Charity's fees for all residents are significantly lower than the actual care costs - which means that the Charity provides a significant subsidy for the care we provide to all our residents.

If we did not continue to provide our distinctive care model, then we believe many disabled members of the ex-Service family would suffer because they would not be able to obtain the specialist care which they need. This provides a fundamental justification for the work we do to help our beneficiaries.

We rely heavily on legacies and donations to enable us to provide the highest quality of care for residents, and to invest in our new facilities. We are very grateful to the many individuals and organisations who have supported the Charity with donations in this first century since our foundation. This income is critical and allows us to continue to meet the changing needs of the ex-Service community.

My fellow Governors are committed to converting our vision into reality for the benefit of those who have Served. We have made tremendous headway in many areas during 2015. By this time next year, we expect both of our Homes to be at full capacity and that our new High Wycombe Home will be well on its way to being built.

Major General Tim Tyler CB
Chairman

14 June 2016

Governors' Report

The Governors present their annual report and audited financial statements for the year ended 31 December 2015, and confirm they comply with the requirements of the Charities Act 2011, the Charity's governing document and the relevant Statement of Recommended Practice (Charities SORP 2015).

About The Royal Star & Garter Homes

The Royal Star & Garter Homes ('the Charity') was established in 1916 to care for soldiers and sailors who had been disabled during the First World War. The Charity is registered with the Charity Commission under Charity number 210119. The Charity's activities are governed by Royal Charter dated 21 September 1990 as amended on 13 June 2007.

Our Mission is to provide an outstanding range of care and therapies for disabled men and women who have served or who are serving in Her Majesty's Armed Forces, and for disabled partners or spouses of those who have served. We are immensely privileged to have reached a century of providing care to our 'Military Family' in 2016.

We believe passionately in providing the highest quality of care, and our teams are committed to helping residents live life to the full irrespective of age and care needs. We employ a wide range of professional care staff including nurses and care assistants, together with physiotherapy, speech and language therapy and activities teams. We operate with relatively high staffing levels to meet the care, mobility and therapy requirements of our disabled and elderly residents; and we invest significant amounts in staff training, activities and benevolent services which are a hallmark of our care. We assist residents in maintaining and enhancing mobility and encourage involvement in activities and personal interests which help to improve confidence, enhance independence, and create a sense of community.

Meeting the need for care

We know that the Service community will continue to require high levels of care from our Charity, and that the nature of this care will continue to evolve. After the Great War, we provided a home for young Servicemen who had become disabled. Now, and for the foreseeable future, there is a growing need to provide for the elderly disabled and those living with dementia:

- By 2020 it is estimated that around 115,000 veterans and 102,000 dependents of veterans will require residential and nursing care.
- A report by The National Audit Office, 'Improving Services and Support for People with Dementia' (July 2007), identified dementia as presenting "a significant and urgent challenge to health and social care". Dementia affects more than 12% of the population over the age of 85, and a significantly higher percentage of those living in care homes. By 2020, it is estimated that 40,000 veterans requiring nursing care will be affected by dementia.
- There are currently around 1,500 beds provided in ex-Service care homes in England, with just over 130 caring for those with dementia.

Our Homes welcome residents from all backgrounds. Before admitting a prospective resident we ensure that our Home will be able to provide the appropriate care and accommodation. We then work with the resident to develop a care plan which will enable them to achieve their full potential.

The total number of residents supported in the year was 178 in 2015 (2014: 176). The average age of residents in our Solihull and Surbiton Homes was 89 and 88 years respectively on 31 December 2015.

Our Surbiton Home has capacity for 63 residents, including 26 who are living with dementia. Our Solihull Home has capacity for 60 residents, including 15 who are living with dementia. We took the decision to operate below full capacity when we opened our Surbiton Home in 2013 to enable us to develop specialist care communities for residents with dementia. We were not able to provide specialist care for residents with dementia at our former Richmond Home, and so this represents a significant development in the range of care services we are able to offer to residents. As our specialist staff team has become more established, we will be increasing resident numbers to full capacity during 2016.

Each of our new Homes provides outstanding accommodation which will meet the expected care needs of our residents for the foreseeable future. Each resident's bed-sitting room has an en-suite shower room, ample space to facilitate bedside therapies and treatments, and easy access for wheelchairs and hoists. These arrangements help residents to be as independent and mobile as possible whilst ensuring that support is available whenever it is needed. Each Home presents a spacious homely environment with dedicated dining and social areas for residents, and a wide choice of venues where residents and visitors can spend time together.

We also maintain strong links with the Armed Forces which our residents value so highly. We reinforce these links with the presence of military student nurses completing clinical placements; encouraging visits and events organised by Service organisations; and by means of a ceremonial presence at key events during the year.

Continuing development of dementia care

We are continuing to invest in our 'Butterfly Project' which is helping us to significantly enhance the quality and personal focus of the care we provide for residents who are living with dementia. We launched this project in the Roundel Wing (the dementia care centre) in our Solihull Home in June 2010 and, guided by Dementia Care Matters, we are applying this model in both our Homes. Involving residents' families, friends, staff and supporting professionals, we are developing an approach which achieves a really positive personal connection between residents and their carers and families. Based on the concept of 'emotional care', this is particularly important for people living with dementia, where they can no longer rely on logic, facts, memory and reason. This programme has helped us to enhance the quality of care we provide throughout the Charity and in the design of the specialist dementia care environment in our new Surbiton Home. We are delighted that the quality of our Solihull Home's work was recognised with two awards in the 2015 National Dementia Care Awards.

Communicating and meeting residents' needs

We are committed to finding out, and meeting the needs of our residents and use a number of informal and structured approaches to obtain feedback from residents and their families about the services which we provide.

We are also committed to providing an environment that is free from discrimination on any grounds including age, race, religion, sex, sexual orientation and disability, and a policy of making reasonable adjustments to accommodate the needs of staff or residents who are or who become disabled.

The essential role of volunteers

The Charity benefits from the services of approximately 65 active volunteers who in some cases receive reimbursement of expenses. Volunteers are very generous with their time, and their work covers a wide range of activities including the care and welfare of residents and fundraising activities. Most of this work would not be affordable if performed by remunerated employees. The Body of Governors wish to record their gratitude, and that of our residents, to all our volunteers for their support which enables residents to enjoy such a wide range of activities and outings.

Investing for the future

Our Charity has reached a number of important milestones in 2015:

- We are successfully running two of the new Homes which we committed to building as part of the New Homes Strategy adopted in 2004. Our first new Home opened in 2008 in Solihull, West Midlands. Our second new Home opened in 2013 in Surbiton, Surrey.
- We received planning permission for our third new Home, which is in High Wycombe, in November 2015 and have designated £25m to cover its construction and fit out. We completed the purchase of the land in February 2016, and contractors started building in March 2016. If all goes to plan, we expect that residents will start moving in at the beginning of 2018. Our plans include capacity for 74 residents including 30 living with dementia.
- These three new purpose-built Homes will enable us to provide the highest quality of care for approximately 197 residents with state-of-the-art facilities, including accommodation for up to 71 residents in specially-designed dementia communities. These new Homes will enable us to provide the highest quality of care for a wide range of disabled ex-Service men and women for the foreseeable future.

Financial review

The cost of providing the Charity's care to residents amounted to £10.97m during 2015. This represents an increase of 2.1% (from £10.74m in 2014) and reflects an increase in average resident numbers from 100 in 2014 to 104 in 2015.

The Charity received fee income from residents and other funding organisations (principally local authorities and the NHS) totalling £5.2m during 2015 (2014: £4.6m). This means that the Charity provided an effective grant from its own resources to finance the cost of resident care totalling £5.8m during 2015 (2014: £6.1m). This grant has been financed from fundraising and other income generated during the year, and was slightly lower in 2015 as a result of increased occupancy and a higher proportion of self-funding and NHS continuing care residents in the Surbiton Home.

We have a number of active programmes to encourage individuals and organisations to support our work, and the Governors gratefully acknowledge the financial support given to the Charity by so many generous donors over the century since our foundation. This income is critical as it enables us to provide the level of care which is needed by our residents, and is enabling us to transform the Charity so we can continue to meet the changing needs of the Service community. Without this support, much of the excellent work provided by the Charity could not continue.

The current environment for fundraising is particularly challenging. We have continued to benefit from the generosity of legacy donors, receiving legacy income totalling £10.6m in 2015. This represents an

unexpected increase of 66% from £6.4m in 2014. This income provides invaluable funds which have enabled us to meet the cost of care for residents and invest in our new Homes strategy.

However, legacy income is unpredictable, and so we are working to increase the range of regular donors and supporters for our work. We received donations and gifts from individuals and organisations totalling £1.81m during the year. This represents a decrease by 8% from £1.97m in 2014, and was below target. The Charity is committed to employing the highest standards in its approach to fundraising. We have adapted our approach over recent years and are targeting the recruitment of 3,000 or more new donors every year. The executive team are undertaking a review of the Charity's fundraising strategy in 2016.

When setting our fees, we seek to achieve a balance between affordability, a level which is consistent with the first class care and accommodation we provide for our residents, and our desire not to exclude any beneficiary on the grounds of financial hardship. This means that we welcome residents whose care is funded from a variety of sources. The average number of residents for whom we provided care during the year and their sources of funding were as follows:

	Surbiton	Solihull
Local authority (see note below)	9.0	14.2
National Health Service - continuing care	5.4	8.8
Self-funding	32.5	32.4
Short breaks	<u>0.7</u>	<u>0.7</u>
Total number of residents	<u>47.6</u>	<u>56.1</u>

Our Homes provide care for residents drawn from a wide geographical area. During the year, our Surbiton Home provided care for residents funded by twelve local authorities, and our Solihull Home provided care for residents funded by six local authorities.

A summary of the Charity's Strategy is set out in the Chairman's Report, and details of the Charity's results for the year are set out in the Statement of Financial Activities (page 14). In setting objectives and planning activities, Governors give full consideration to the Charity Commission's guidance on public benefit and fee-charging.

Reserves Policy

The Charity held funds totalling £134.9m at 31 December 2015 and has a policy of designating funds for specified strategic purposes, and retaining sufficient general funds to protect the Charity against unforeseen adverse developments. Details of the purpose of each fund are set out in Note 12, and the allocation of net assets between funds is set out in Note 13.

This allocation reflects the steps we will take as the next phase in our strategy to develop our capacity to care for beneficiaries following completion of our High Wycombe Home:

- Governors set aside £25 million as the *Fourth Home Fund*. Our management resources are currently focused on ensuring the highest quality of care in our existing Homes, and creating our third new Home in High Wycombe. We expect this Home to be completed towards the end of 2017, and Governors will then assess the viability of creating a fourth Home. This means that expenditure on developing plans for a fourth Home should commence in 2018.

- Governors created the *Home Replacement Fund* which we will increase over 25 years to provide resources to finance the overhaul of our existing Homes, including the services which are critical to their efficient operation, when they reach the end of their expected useful lives.
- Governors created the *Care Support Fund* to provide income and capital which will be used to secure the future of dependent beneficiaries in case other fundraising income falls. The Charity is currently benefiting from a positive flow of fundraising income, the majority of which is in the form of legacies, from individuals who had experience of the Second World War. This income is unpredictable and the Charity considers it is likely that the amount of legacy income will fall significantly in future years. We do not know when the Charity will need to make use of this fund, but believe it is appropriate to hold it because the Charity is committed to providing long term care for residents, and the annual cost to the Charity of providing this care amounts to some £6m.
- Governors agreed to designate £8.9 million as the *Strategic Development Fund* during 2015 and the Strategy Group will meet in 2016 to consider carefully the most appropriate approach for the Charity to apply these funds in developing its work for beneficiaries into the future.

Governors have an approved reserves' policy, which is reviewed at least annually. The policy is designed to retain nine months' of unrestricted free reserves to cope with unforeseen expenditure or loss of income. At 31 December 2015, the Charity held a General Fund amounting to £9.7m (2014: £9.6m) as set out in Notes 12 and 13. This Fund includes items which are being held for the following purposes:

- Free Reserves (£8.0m) are held in the form of disposable assets including cash, term deposits, equities and fixed interest investments, and are equivalent to nine months' operating costs. The actual level of reserves is reviewed regularly, and Governors consider that the current level of Free Reserves is sufficient in view of the scale and scope of the Charity's operations, and their assessment of the Charity's risk profile.
- A Pension Reserve (£1.7m) is being held to cover the agreed contributions into the Charity's defined benefit pension scheme as described in Note 14.2.

Pension Schemes

During the year the Charity provided access to money purchase pension schemes which are operated by Standard Life PLC and the National Employment Savings Trust ('NEST'). These arrangements comply with the pension auto-enrolment rules, and if an employee makes a contribution of 5% or more of pensionable salary into one of these schemes, then the Charity will also contribute 5% into the scheme on their behalf.

The Charity's defined benefit pension scheme was closed to future accrual on 30 April 2007. A triennial actuarial valuation by a qualified independent actuary indicated that a 'pension deficit' of £1.88m existed as at 1 January 2014. The Charity has agreed with the trustees of the pension scheme a Schedule of Contributions to be paid into the pension scheme in order to eliminate this deficit over a period of 10 years from 1 January 2015.

A qualified independent actuary has also prepared a valuation of the pension scheme for these accounts in accordance with Financial Reporting Standard 102 ('FRS 102'). This valuation indicated that a surplus of £0.5m existed at 31 December 2015 (2014: £0.3m deficit). This amount has not been recognised as an asset in these accounts as the Charity does not consider that the amount will be realisable in the foreseeable future. Further details of the FRS 102 valuation are set out in Note 14.2.

Investment Policy

At 31 December 2015, the Charity's investments were valued at £48.6m (2014: £42.5m) as set out in Note 9. This amount included bank deposits totalling £31.1m (2014: £25.6m). The remainder of the Charity's investment portfolio, with a value of £17.5m (2014: £16.9m), was managed by Sarasin & Partners LLP during the year.

The Sarasin portfolio produced a net loss of £0.015m during 2015 (2014: gain £0.5m). This performance was consistent with movements in world stock markets generally, and Governors consider that the thematic approach used by Sarasin for stock selection remains sound. Governors will continue to monitor the performance of the Sarasin investment portfolio in the light of external developments during 2016.

Risk

Governors consider that the principal risks and uncertainties facing the Charity, and the plans which are in place for managing these are as follows:

Risk and uncertainty

- Ensure the Charity continues to provide the highest quality of care for residents.
- Challenge to secure fundraising income, including potential for significant reduction in legacy income.
- Recruitment and retention of high quality care staff including nurses.
- Serious accident, incident or allegation of abuse.
- Loss in value of investments.

Management plans

- Effective recruitment, training, development and retention of staff.
- Monthly internal audit of Homes' and central key quality performance systems.
- Independent evaluation of performance by external specialists.
- Review fundraising strategy in 2016.
- Care Support Fund to secure future for dependent beneficiaries if fundraising income falls.
- Apply multiple approaches to attract nurses in an environment of national shortage.
- High quality training, management support and working environment to help retain high quality staff teams.
- Appropriate training for staff.
- Lead nurse monitoring standards of care, staff supervisions, and observational audits.
- No-blame reporting culture.
- Whistleblowing and safeguarding policies.
- Appropriate insurance policies.
- Match investment strategy with operational strategy to minimise risk of realising loss.
- Regular monitoring of performance by Governors.
- Appoint managers with diverse management styles.

The management team maintain a Risk Register which is updated following regular reviews of the Charity's activities and future strategy as part of a formal risk management process. This involves examining the types of risk the Charity faces and prioritising them in terms of likelihood of occurrence and consequence. Governors review potential risks to the Charity and the Charity's Risk Register at each meeting of the Finance Committee and twice a year at meetings of the Body of Governors, and consider that the Charity has a clear plan which will enable it to continue providing the highest quality of care for beneficiaries.

GOVERNANCE

The Body of Governors is responsible for the overall governance of the Charity. All Governors, who are the Charity's trustees, give of their time freely and no remuneration was paid to Governors in the year (2014: £Nil).

The minimum number of Governors at any time is ten and the maximum twenty. The Charity has a policy of co-opting senior serving medical officers from the Army, Navy and Royal Air Force as Governors. Other new Governors are elected by existing Governors and initially serve for a term of three years at which time they are eligible for re-election. Governors are selected on the basis of their knowledge and experience. The Charity seeks to ensure that the Body of Governors retains a wide range of professional and other skills. New Governors receive a handbook about the Charity and meet members of the executive team, other staff and residents in order to familiarise themselves with the workings of the Charity.

Details of the Patron, President, Vice-Presidents and Members of the Body of Governors are set out on page 29. The names of the executive team and external advisers are set out on page 30.

The Body of Governors

The Body of Governors meets four times each year. Governors receive comprehensive reports on all aspects of the Charity's affairs in preparation for these meetings and are encouraged to attend relevant external training courses where appropriate.

The Body of Governors delegates the exercise of certain powers in connection with the management and administration of the Charity as follows:

Finance Committee

The Finance Committee comprises a minimum of five members of the Body of Governors. Meetings are held at least twice each year. The Committee considers the annual report and financial statements, the appointment of external auditors and the annual budget and operating plan. It also considers the risk management report, investment strategy, investment performance and other relevant financial matters and makes recommendations to the Body of Governors at their quarterly meetings.

Property Committee

The Property Committee comprises a minimum of four members of the Body of Governors. The Committee is authorised to exercise the powers of the Body of Governors when dealing with property matters on behalf of the Charity including the acquisition, development and disposal of any land and/or buildings. The Committee meets on an ad hoc basis as required and may take decisions without holding a meeting provided that a majority of committee members shall have communicated their views to the

Chairman on the matter in question. All decisions are reported to the Body of Governors at their quarterly meetings.

Remuneration Committee

The Remuneration Committee makes recommendations to the Body of Governors concerning the remuneration of the Charity's Chief Executive and its Directors. The Committee comprises a minimum of four members of the Body of Governors and it met once during the year.

The Remuneration Committee considers independent data from the care and charity sectors when setting the pay and remuneration for the key senior team.

Strategy Group

The 'Strategy Group' was established in 2012 with six Governors to identify broad principles on which the Charity's future strategy could be developed, and to report these to the Body of Governors for consideration. Governors have agreed the steps set out on pages 6 and 7 for the next phase in the Charity's development, taking account of the additional charitable funds which have become available following the sale of the Richmond properties. The Body of Governors took a decision at their December 2015 meeting to designate £8.9 million, most of which was generated in the last quarter of the year, as the *Strategic Development Fund*. The Strategy Group has arranged a series of meetings in 2016 to consider the most appropriate approach for the Charity to apply these funds in developing its work for beneficiaries into the future.

Investment Group

The 'Investment Group' was established in December 2014 with four Governors to review the Charity's investment strategy and make recommendations to the Body of Governors regarding the appointment of appropriate investment managers. The Investment Group completed a formal market testing process in 2015, and Governors agreed to retain Sarasin LLP as an investment manager, and to the appointment of Smith & Williamson as an additional investment manager in 2016.

Key management personnel

The Chief Executive is responsible for the day-to-day management of the Charity and for implementing policies agreed by the Body of Governors. The Chief Executive is assisted by an executive team of four Directors and other managers.

Statement of Governors' Responsibilities

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

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

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

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

The Governors are responsible for keeping proper accounting records that are sufficient to show and explain the Charity's transactions and disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

The Charity operates systems of internal control which are designed to provide reasonable assurance against material misstatement or loss. They include:

- an annual operating plan and budget approved by the Governors;
- regular consideration by the Governors of financial and operational results against the budget and other performance indicators;
- delegation of day-to-day management authority and segregation of duties; and
- identification and management of risks.

Internal controls over all forms of commitment and expenditure continue to be refined to improve efficiency and effectiveness. Processes are in place to ensure that performance is monitored and that appropriate management information is prepared and reviewed regularly by both the Executive and the Governors.

Review of the Performance of Subsidiary Companies

The Charity had two wholly owned subsidiary companies during 2015:

- Star & Garter Property Limited, whose principal activity is to undertake the design and build of new Homes to supply to The Royal Star & Garter Homes. Star & Garter Property Limited received income totalling £623k during the year (2014: £199k) as payments in advance for the supply of the Surbiton and High Wycombe Care Homes to the Charity. The company contributed £18k to the Charity during 2015 by way of the payment of Gift Aid, and this has eliminated its taxable profits (2014: Gift Aid payment of £6k).
- Star and Garter Promotions Limited is dormant.

Further information about these companies is set out in Note 2.



On behalf of the Body of Governors
Chairman

Date: 14 June 2016

Independent Auditor's Report To the Governors of The Royal Star & Garter Homes

We have audited the financial statements of The Royal Star & Garter Homes for the year ended 31 December 2015 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of Governors and auditor

As explained more fully in the Statement of Governors' Responsibilities, the Governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under Section 151 of the Charities Act 2011 and report in accordance with regulations made under Section 154 of that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Chairman's Report and the Governors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

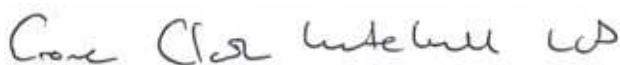
In our opinion the financial statements:

- give a true and fair view of the state of the group's and the Charity's affairs as at 31 December 2015 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

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



Crowe Clark Whitehill LLP
Statutory Auditor
London

Date: 14 June 2016

Crowe Clark Whitehill LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2015

	Note	Unrestricted Funds (Note 12) £000	Restricted Funds (Note 12) £000	Permanent Endowment (Note 12) £000	Total Funds 2015 £000	Total Funds 2014 £000
Income and endowments from:						
Charitable activities		5,198	-	-	5,198	4,560
Surplus on disposal of tangible fixed assets		2,336	-	-	2,336	53,691
Donations and gifts	1b	1,638	171	-	1,809	1,974
Legacies	1b	10,556	-	-	10,556	6,381
Investments		857	-	-	857	818
Other trading activities		171	-	-	171	195
Other income		1	-	-	1	23
TOTAL		20,757	171	-	20,928	67,642
Expenditure on:						
Charitable activities	3	10,971	-	-	10,971	10,736
Raising funds	3	1,694	-	-	1,694	1,518
Investment management fees	3	84	-	-	84	80
Decommissioning costs	3	12	-	-	12	472
TOTAL	3	12,761	-	-	12,761	12,806
NET INCOME BEFORE INVESTMENT (LOSSES)/ GAINS		7,996	171	-	8,167	54,836
Net (losses)/ gains on investments	9	(15)	-	-	(15)	482
NET INCOME		7,981	171		8,152	55,318
Transfers between funds		171	(171)	-	-	-
OTHER RECOGNISED GAINS						
Actuarial gain on defined benefit pension scheme	14	117	-	-	117	430
NET MOVEMENT IN FUNDS		8,269	-	-	8,269	55,748
Total funds brought forward		126,604	-	48	126,652	70,904
TOTAL FUNDS CARRIED FORWARD		134,873	-	48	134,921	126,652

BALANCE SHEETS At 31 December 2015

		Group		Charity	
	Note	2015 £000	2014 £000	2015 £000	2014 £000
FIXED ASSETS					
Tangible fixed assets	8	32,505	32,655	32,884	33,016
Investments	9	48,570	42,497	48,570	42,497
		81,075	75,152	81,454	75,513
Subsidiary companies	2	-	-	-	-
CURRENT ASSETS					
Stocks		157	160	3	6
Debtors:					
Amounts receivable in more than one year	10	-	49,211	-	49,211
Amounts receivable within one year	10	52,494	1,272	52,565	1,291
Cash at bank and in hand		3,007	2,950	2,947	2,909
		55,658	53,593	55,515	53,417
LIABILITIES					
Creditors: amounts falling due within one year	11	1,812	1,777	1,669	1,601
NET CURRENT ASSETS					
		53,846	51,816	53,846	51,816
NET ASSETS EXCLUDING PENSION LIABILITY					
		134,921	126,968	135,300	127,329
Defined benefit pension scheme liability	14	-	(316)	-	(316)
TOTAL NET ASSETS					
		134,921	126,652	135,300	127,013
THE FUNDS OF THE CHARITY:					
Unrestricted funds:					
General fund		9,703	9,958	10,082	10,319
Less: Pension reserve	14	-	(316)	-	(316)
	12	9,703	9,642	10,082	10,003
Designated funds	12	125,170	116,962	125,170	116,962
Total unrestricted funds		134,873	126,604	135,252	126,965
Permanent endowment fund	12	48	48	48	48
TOTAL CHARITY FUNDS					
		134,921	126,652	135,300	127,013

Approved and authorised for issue by the Body of Governors on 14 June 2016 and signed on its behalf by



Amanda Francis DSS BSc ACA
Treasurer

CONSOLIDATED STATEMENT OF CASH FLOWS **For the year ended 31 December 2015**

	Note	2015 £000	2014 £000
Cash flows from operating activities:			
Net cash provided by/ (used in) operating activities	A	4,050	(47,969)
Cash flows from investing activities:			
Investment income and interest receivable		857	818
Proceeds from the disposal of tangible fixed assets	B	2,336	55,496
Purchase of tangible fixed assets		(1,098)	(145)
Purchase of investments		(601)	(576)
Net cash provided by investing activities		1,494	55,593
Change in cash and cash equivalents during the year	C	5,544	7,624

(A) Reconciliation of cash flows from operating activities

	2015 £000	2014 £000
Net income during the year	8,167	54,836
Adjustments for:		
Investment income and interest receivable	(857)	(818)
Depreciation	1,248	1,289
Surplus on disposal of tangible fixed assets	(2,336)	(53,691)
Decrease in stocks	3	7
Decrease/ (increase) in debtors receivable in more than one year	49,211	(49,211)
(Increase) in debtors receivable within one year	(51,222)	(383)
Increase/ (decrease) in creditors	35	(11)
Pension (expense)/ income	(199)	13
Net cash provided by/ (used in) operating activities	4,050	(47,969)

(B) Disposal of tangible fixed assets

The Charity accounted for the sale of its Richmond buildings in 2014. The Charity received additional consideration, amounting to £2.3m, in connection with the disposal of these buildings in 2015.

(C) Analysis of changes in cash and cash equivalents during the year

	2014 £000	Change In Year £000	2015 £000
Cash at bank and in hand	2,950	57	3,007
Cash on deposit	25,589	5,487	31,076
Total cash and cash equivalents	28,539	5,544	34,083

1. Principal Accounting Policies

1a *Basis of Preparation*

The financial statements have been prepared in accordance with the Charities SORP (Financial Reporting Standard 102 ('FRS 102')) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015. The consolidated accounts include the trading activities, assets and liabilities of Star & Garter Property Limited consolidated on a line-by-line basis.

The 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. In the view of the Governors, there are no material uncertainties casting doubt on the ability of the Charity to continue providing care for beneficiaries in the foreseeable future.

In preparing the accounts, the Governors have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required. In their estimation, the impact of transitioning is not material to the financial statements and therefore the restatement of comparative items is not required. The Charity transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. A comparative statement of financial activities has not been prepared on the basis that all comparative amounts relate to unrestricted funds, with the exception of £149k of Donations and Gifts and £301k of Legacies.

1b *Voluntary Income*

Donations and donations in kind are accounted for on receipt. Grant income is recognised when receivable.

Pecuniary and reversionary legacies are accounted for on receipt. Residuary legacies are accounted for at the earlier of receipt of the legacy or the point at which the final accounts of the estate are agreed by the Charity. In the event that residuary legacies are settled after the accounting year end they are included in the accounts provided the Charity was certain of the amount to be distributed at the balance sheet date.

1c *Fee Income*

Fee income represents charges for accommodation, nursing and care of residents and is accounted for on an accruals basis.

1d *Expenditure and the Allocation of Costs*

The costs of the Charity are allocated directly to the activity to which they refer as follows:

- Care and support costs - nursing and care costs together with catering, domestic and facilities costs relating to residents.
- Fundraising costs - direct and indirect costs of this activity.
- Governance costs - costs incurred in compliance with constitutional and statutory requirements.

Depreciation is allocated on the basis of the use of the assets concerned.

All expenses are accounted for on an accruals basis and the irrecoverable element of VAT is included with the item of expense to which it relates.

1e Financial instruments

The Charity has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method. At the balance sheet date the Charity held the following financial assets at amortised cost:

	<i>Note</i>	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
Bank deposits	9	31,076	25,589
Fees receivable	10	528	501
Accrued income	10	42	102
Legacies receivable	10	12	86
Proceeds from disposal of Richmond buildings	10	51,561	49,211
Other debtors	10	22	6
Cash at bank and in hand		3,007	2,950
Total		86,248	78,445

Financial liabilities which comprise amounts payable, accruals and other creditors are held at the Balance Sheet date at amortised cost of £1.27m (2014: £1.28m) (Note 11).

Investments which form part of an investment portfolio are held at the Balance Sheet date at fair value of £17.49m (2014: £16.91m) (Note 9), with gains and losses recognised within income and expenditure.

1f Fixed Assets – Valuation and Depreciation

Depreciation is provided to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Freehold land	– Not depreciated
Leasehold land	– 0.4% (250 year lease)
Buildings	– 2% - 5%
Plant and equipment	– 10% - 20%
Motor vehicles	– 20%

The carrying values of tangible fixed assets are reviewed for impairment periodically when events or changes in circumstances indicate that the carrying value may not be recoverable.

Items costing less than £5,000, and expenditure on buildings where the cost is below £10,000 are written off as an expense when incurred.

1g Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less cost of disposal.

1h Pensions

The Charity operates two defined contribution pension schemes for employees. Contributions are charged to the SOFA as they become payable in accordance with the rules of the Scheme.

The Charity also operates a defined benefit pension scheme which closed to future accrual on 30th April 2007. The defined benefit pension scheme current service costs together with the scheme interest cost less the expected return on the scheme assets for the year are charged to the SOFA within total resources expended. The scheme actuarial gains and losses are recognised immediately as other recognised gains and losses.

The defined benefit scheme assets are measured at fair value at the balance sheet date. Scheme liabilities are measured on an actuarial basis at the balance sheet date using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

1i Operating Leases

Rentals payable under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

1j Funds

Restricted funds are accounted for in accordance with the particular terms of trust arising from the express or implied wishes of donors in so far as these are intended to be binding on the Governors.

Designated funds are set aside by the Governors out of unrestricted funds.

General funds are available for use by the Charity in accordance with its charitable objects.

1k Critical accounting judgements and key sources of estimation uncertainty

In the application of the Charity's accounting policies, which are described in Note 1, Governors are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In the view of the Governors, no assumptions concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

2. Subsidiary Undertakings

The Charity holds 100% of the share capital in the following subsidiary companies, whose results are included in the consolidation:

- Star & Garter Property Limited (Registered in England No. 7393425) whose principal activity is to undertake the design and build of new care homes which will be supplied to The Royal Star & Garter Homes. At the balance sheet date the Charity held one £1 ordinary share (100% of voting rights) in the company. The company makes gift aid payments to the Charity to cover its taxable profits.
- Star and Garter Promotions Limited (Registered in England No. 1990808) which ceased trading on 31 December 2010 and is now dormant. At the balance sheet date the Charity held two £1 ordinary shares (100% of voting rights) in the company.

The value attributed to the investment in subsidiaries in the Charity's balance sheet comprises:

	2015	2014
	£	£
Shares in Star and Garter Promotions Limited	2	2
Shares in Star & Garter Property Limited	1	1
Total	3	3

Net income from the trading activities of Star & Garter Property Limited was as follows:

	2015	2014
	£000	£000
Turnover	623	199
Operating costs	(605)	(193)
	18	6
Contribution to The Royal Star & Garter Homes: Gift aid payment	(18)	(6)
Net profit before taxation	-	-
Corporation tax	-	-
Retained in subsidiary	-	-

Turnover represents charges for construction services relating to the provision of Care Homes to the Charity. Apart from this, and the payment of gift aid, there were no other related party transactions with subsidiaries.

Subsidiary Undertakings (continued)

The Net Assets of Star & Garter Property Limited at 31 December 2015 were as follows:

	2015 £000	2014 £000
Total Assets	479	257
Total Liabilities	(479)	(257)
Net Assets	-	-

3. Analysis of Total Resources Expended

	Staff costs £000	Depreciation £000	Other £000	Total 2015 £000	Total 2014 £000
Charitable activities: care costs	7,014	1,146	2,811	10,971	10,736
Raising funds	500	102	1,092	1,694	1,518
Investment management fees	-	-	84	84	80
Decommissioning costs	-	-	12	12	472
TOTAL RESOURCES EXPENDED	7,514	1,248	3,999	12,761	12,806

The cost of raising funds includes support costs totalling £112k (2014: £111k). This total includes staff costs £44k (2014: £45k) and other costs £68k (2014: £66k).

Care costs include support costs totalling £1.6m (2014: £1.8m). This total includes staff costs £0.8m (2014: £0.8m), depreciation £0.1m (2014: £0.1m) and other costs £0.7m (2014: £0.9m).

Support costs include governance costs totalling £78k (2014: 86k).

4. Auditor's Remuneration

The amount of remuneration payable to the auditor was as follows :

	2015 £000	2014 £000
In respect of audit services	25	23
In respect of taxation and other advice and services	3	2
	28	25

5. Legacies

The Charity has received notification of a number of residuary legacies which have not been included in these accounts because they are not certain in value. The estimated total value of this potential income is £4.4m at 31 December 2015 (2014: £3.7m).

6. Governors' Remuneration

No member of the Body of Governors received any remuneration during the years ended 31 December 2015 or 2014. During the year, six Governors (2014: five) received reimbursement of personal travel and subsistence expenditure amounting to £2,178 (2014: £1,407).

7. Emoluments & Numbers of Employees

The total emoluments of employees for the year comprised:

	2015 £000	2014 £000
Wages and salaries	6,206	5,810
Employer National Insurance costs	552	512
Contributions to defined contribution pension scheme	259	224
	<hr/>	<hr/>
	7,017	6,546
Other staff costs	497	555
	<hr/>	<hr/>
Total staff costs	7,514	7,101

The average monthly number of staff employed during the year was as follows:

	2015	2014
Nursing and care	180	173
Domestic, catering and other Home based staff	39	43
Fundraising	14	12
Management and administration	12	14
	<hr/>	<hr/>
	245	242

During the year, staff from commercial agencies provided cover for nurses, health care assistants and clerical services at a total cost of £445,487 (2014: £466,939).

The emoluments of all employees who received more than £60,000 in the year were as follows:

Emoluments :	2015	2014
£60,001 - £70,000	1	-
£70,001 - £80,000	1	1
£80,001 - £90,000	1	1
£90,001 - £100,000	2	2
£110,001 - £120,000	1	1

The total employment benefits of the above employees, who are the Charity's key management personnel, were £572k (6 employees) during the year (2014: £500k - 5 employees).

8. Tangible Fixed Assets - Group

	Freehold Land & Buildings £000	Assets in the course of construction £000	Leasehold Land & Buildings £000	Plant & Equipment £000	Motor Vehicles £000	Total £000
Cost :						
At 1 January 2015	17,145	-	14,094	5,527	144	36,910
Additions	4	1,001	14	79	-	1,098
Reclassification	(100)	100	-	-	-	-
At 31 December 2015	17,049	1,101	14,108	5,606	144	38,008
Accumulated depreciation :						
At 1 January 2015	479	-	1,314	2,318	144	4,255
Charge for year	415	-	225	608	-	1,248
At 31 December 2015	894	-	1,539	2,926	144	5,503
Net book value at 31 December 2015	16,155	1,101	12,569	2,680	-	32,505
Net book value at 31 December 2014	16,666	-	12,780	3,209	-	32,655

As at 31 December 2015, the Group had incurred expenditure totalling £1.1m in connection with the Charity's new Home in High Wycombe. This expenditure is recorded as "Assets in the course of construction" and represents:

	£000
Professional fees	1,001
Deposit on the purchase of land	100
Expenditure on High Wycombe Home	1,101

Planning permission was granted for our High Wycombe Home in November 2015 and construction commenced in March 2016. We expect to complete construction of the Home in late 2017 and to welcome our first residents at the start of 2018. The Charity has set aside a budget of £25 million for the purchase of the site in High Wycombe, the design of the Home and for its construction and fit out.

The total net book value of tangible fixed assets owned by the Charity amounted to £32.88m at 31 December 2015 (2014: £33.02m). This included:

- 'Freehold land and buildings' with a book value of £16.52m at 31 December 2015 (2014: £17.03m);
- 'Assets in the course of construction with a book value of £1.12m at 31 December 2015 (2014: £Nil); and
- cumulative profit earned by Star & Garter Property Limited on the provision of construction services to the Charity in connection with:
 - the Surbiton Home amounting to £355k at 31 December 2015 (2014: £355k); and
 - the High Wycombe Home amounting to £24k at 31 December 2015 (2014: £6k).

The Charity had the following contracted capital commitments at 31 December 2015 (2014: £nil):

- Balance of purchase price of land for the High Wycombe Home: £1.9m; and
- Professional fees in relation to the High Wycombe Home: £812k.

9. Investments

	2015 £000	2014 £000
Market value at 1 January	42,497	34,291
Net investment of capital	6,088	7,724
Net realised and unrealised (loss)/ gain during the year	(15)	482
Market value at 31 December	48,570	42,497
Historical cost as at 31 December	46,624	40,536
Analysis of Investments:	2015 £000	2014 £000
Bank deposits	31,076	25,589
Investment portfolio managed by Sarasin & Partners LLP ('Sarasin'): The Alpha Common Investment Fund for Endowments ('ACIFE')	17,494	16,908
	48,570	42,497

10. Debtors

Amounts falling due in more than one year:

	Group 2015 £000	Group 2014 £000	Charity 2015 £000	Charity 2014 £000
Proceeds from disposal of Richmond buildings	-	49,211	-	49,211

The Charity received the above amount in February 2016.

Amounts falling due within one year:

	Group 2015 £000	Group 2014 £000	Charity 2015 £000	Charity 2014 £000
Fees receivable	528	501	528	501
Amounts due from subsidiary companies	-	-	93	24
Accrued income	42	102	42	102
Pre-payments	329	577	329	577
Legacies receivable	12	86	12	86
Proceeds from disposal of Richmond buildings	51,561	-	51,561	-
Other debtors	22	6	-	1
	52,494	1,272	52,565	1,291

11. Creditors

	Group 2015 £000	Group 2014 £000	Charity 2015 £000	Charity 2014 £000
Expense creditors	375	100	319	100
Accruals	816	1,123	586	890
Deferred income	372	344	372	344
Amounts due to subsidiary companies	-	-	143	57
Other taxation and social security	169	158	169	158
Other creditors	80	52	80	52
	1,812	1,777	1,669	1,601

All amounts included as deferred income are released to income in the following year.

12. Funds

	At 1 Jan 15 £000	Income in year £000	Expenditure in year £000	Transfers in year £000	Other Gains £000	At 31 Dec 15 £000
PERMANENT ENDOWMENT FUND						
Central Regimental Institutes Fund	48	-	-	-	-	48
UNRESTRICTED FUNDS						
Solihull Home Fund	13,553	-	(350)	-	-	13,203
Surbiton Home Fund	16,250	-	(630)	-	-	15,620
High Wycombe Home Fund	25,000	-	-	-	-	25,000
Fourth Home Fund	25,000	-	-	-	-	25,000
Home Replacement Fund	5,000	-	-	600	-	5,600
Administration Office Fund	3,302	-	(202)	-	-	3,100
Property Refurbishment Fund	3,315	-	(110)	-	-	3,205
Strategic Development Fund	-	-	-	8,900	-	8,900
Care Support Fund	25,542	-	-	-	-	25,542
General Fund	9,642	20,928	(11,469)	(9,500)	102	9,703
Total of Unrestricted Funds	126,604	20,928	(12,761)	-	102	134,873
TOTAL FUNDS	126,652	20,928	(12,761)	-	102	134,921

Permanent Endowment Fund:

The income from the *Central Regimental Institutes Fund* is available for the Charity's general purposes.

Designated Funds:

The *Solihull Home Fund* (established December 2004) represents the book value of the Solihull Home.

The *Surbiton Home Fund* (established December 2004) represents the book value of the Surbiton Home.

The *High Wycombe Home Fund* was established in 2007 to provide funds for constructing the third new Home planned by the Charity. The Charity received donations towards the cost of fitting out the High Wycombe Home totalling £14k during the year (2014: £311k). These amounts were not spent in 2015, and are expected to be spent in 2017.

The *Fourth Home Fund* was established in 2014 to provide funds for constructing a fourth new Home planned by the Charity.

The *Home Replacement Fund* was established in 2014. Governors have agreed to build up this fund to finance the replacement of existing Homes when they reach the end of their useful lives.

The *Administration Office Fund* was established in 2010 and represents the book value of the Charity's administration offices in Hampton.

The *Property Refurbishment Fund* was established in 2012 to provide funding for the refurbishment of the Charity's Homes and the Hampton Office.

The *Strategic Development Fund* was established in 2015 to provide capital to be applied in developing the Charity's work for beneficiaries into the future.

The *Care Support Fund* was established in 2014 to provide income and capital to use to secure the future of dependent beneficiaries in case other fundraising income falls.

General Fund:

The Charity received donations during the year totalling £157k to finance specific care activities. Of this amount, £154k was utilised during the year together with £32k brought forward from 2014. A total of £3k has been carried forward to 2016.

13. Analysis Of Group Net Assets Between Funds

	Tangible Fixed Assets £000	Investments £000	Current Assets £000	Current Liabilities £000	Total £000
Permanent Endowment Fund	-	48	-	-	48
Unrestricted Funds:					
Solihull Home Fund	13,203	-	-	-	13,203
Surbiton Home Fund	15,101	-	519	-	15,620
High Wycombe Home Fund	1,101	-	23,899	-	25,000
Fourth Home Fund	-	25,000	-	-	25,000
Home Replacement Fund	-	5,600	-	-	5,600
Administration Office Fund	3,100	-	-	-	3,100
Property Refurbishment Fund	-	-	3,205	-	3,205
Strategic Development Fund	-	-	8,900	-	8,900
Care Support Fund	-	17,922	7,620	-	25,542
General Fund	-	-	11,515	(1,812)	9,703
Total Net Assets	32,505	48,570	55,658	(1,812)	134,921

14. Pension Schemes

The Charity operated a Pension Scheme for some of the Charity's staff as described in Note 14.2. This Scheme is administered by an external firm and its financial and other records are kept separately from those of the Charity. It operates in compliance with the Pensions Acts of 1995 and 2004 and the regulations of the appropriate pensions and financial sector regulators. Trustees include representatives of the Governors and members of staff of the Charity.

14.1 Defined Contribution Scheme

During the year, the Charity provided access to money purchase pension schemes for employees which are operated by Standard Life PLC and the National Employment Savings Trust ('NEST'). If an employee makes a contribution of 5% or more of pensionable salary into one of these schemes, then the Charity also contributes 5% on their behalf. The Charity made contributions amounting to £258,667 (2014: £224,079) into the defined contribution pension schemes during the year. The value of outstanding contributions at 31 December 2015 was £61,388 (2014: £37,083).

14.2 Defined Benefit Pension Scheme

The Charity's defined benefit pension scheme was closed to future accrual on 30 April 2007. The disclosures set out below are based on calculations carried out as at 31 December 2015 by a qualified independent actuary in accordance with FRS102 (2014: in accordance with FRS17). The Scheme assets are held in a separate Trustee-administered fund to meet long-term pension liabilities to past and present employees. The Trustees of the fund are required to act in the best interest of the fund's beneficiaries. The appointment of Trustees to the fund is determined by the Scheme's trust documentation.

The liabilities of the defined benefit scheme are measured by discounting the best estimate of future cash flows to be paid out of the scheme using the projected unit method. This amount is reflected in the asset or deficit recorded in the balance sheet.

The actuarial valuation indicated that a surplus of £0.5m existed at 31 December 2015 (deficit of £0.3m at 31 December 2014). This amount has not been recognised as an asset in these accounts as the Charity does not consider that the amount will be realisable in the foreseeable future. In order to reflect the obligations set out in the Schedule of Contributions agreed between the Charity and Pension Trustees, the Charity has established a *Pension Reserve* with a value of £1.7m to cover the balance of the payments which have been agreed to eliminate the triennial pension deficit.

As at 31 December 2015, contributions are payable to the Scheme by the Charity at the rates set out in the Schedule of Contributions dated 12 February 2015, which is based on the results of the most recent full triennial actuarial valuation as at 1 January 2014. The Employer contribution expected to be made in the year commencing 1 January 2016 is £206,000.

(A) Principal assumptions

The principal actuarial assumptions at the balance sheet date were:

	2015	2014
Discount rate	3.70%	3.50%
Expected return on scheme assets	3.70%	3.50%
RPI Inflation	3.30%	3.30%
CPI Inflation	2.50%	2.50%
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment (lower of RPI or 5%)	3.20%	3.20%
Pensioner and non-pensioner mortality (pre and post retirement)	See note 1 below	See note 1 below
Cash commutation	See note 2 below	No Allowance

For the avoidance of doubt the above assumptions are in absolute terms.

Note 1: Based on S2PA table using CMI 2013 improvements and an assumed 1.5% long term rate of mortality improvement.

Note 2: Members take 50% of maximum cash available.

(B) Asset Breakdown

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2015	2014
Gilts/Corporate Bonds	49.2%	47.9%
Investment portfolio	48.7%	49.5%
Cash	0.4%	0.6%
Insurance policies	1.7%	2.0%
Total	100%	100%

(C) Employee benefit obligations

The amounts recognised in the balance sheet are as follows:

	2015 £000	2014 £000
Present value of funded obligations	(22,732)	(24,367)
Fair value of scheme assets	23,254	24,051
Present value of obligations:		
Surplus/(Deficit)	522	(316)
Restriction applied to irrecoverable surplus	(522)	-
Net (liability) recognised in the balance sheet	-	(316)

The impact of deferred taxation has not been calculated as the Charity is not chargeable to corporation tax.

(D) The total expense recognised in the Statement of Financial Activities:

	2015 £000	2014 £000
Interest on obligation	839	962
Expected Return on Pension Scheme Assets	(832)	(949)
Total – included within Total Resources Expended	7	13

(E) Statement of Total Recognised Gains and Losses (STRGL) in Statement of Financial Activities:

	2015 £000	2014 £000
Actuarial gain	639	430
Restriction applied to irrecoverable surplus	(522)	-
Actuarial gain recognised in Statement of Financial Activities	117	430
Cumulative amount of actuarial gains recognised in the STRGL	465	348

(F) Changes in the present value of the defined benefit obligation:

	2015 £000	2014 £000
Opening defined benefit obligation	24,367	21,825
Interest cost	839	962
Impact of adjustments and assumptions on scheme liabilities (Note H)	(1,686)	2,475
Benefits paid	(788)	(895)
Closing defined benefit obligation (Note H)	22,732	24,367

(G) Changes in the fair value of scheme assets are as follows:

	2015 £000	2014 £000
Opening fair value of scheme assets	24,051	21,092
Actual return on scheme assets (*)	(215)	3,854
Contributions by employer	206	-
Benefits paid	(788)	(895)
Closing fair value of scheme assets (Note H)	23,254	24,051

(*) Calculation of actual return on scheme assets:

Expected return	832	949
Experience adjustments on scheme assets (Note H)	(1,047)	2,905
Actual return on scheme assets	(215)	3,854

(H) Movements over previous five years

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
(Deficit) reported in Balance Sheet:					
Defined benefit obligations (Note F)	(22,732)	(24,367)	(21,825)	(20,898)	(19,059)
Scheme assets (Note G)	23,254	24,051	21,092	21,844	22,470
Surplus/(Deficit)	522	(316)	(733)	946	3,411
Restriction applied to irrecoverable surplus	(522)	-	-	(946)	(3,411)
Deficit reported in Balance Sheet	-	(316)	(733)	-	-
Impact of adjustments and assumptions on scheme liabilities:					
Experience adjustments on scheme liabilities	137	189	9	(727)	68
Changes in the assumptions underlying the present value of scheme liabilities	1,549	(2,664)	(917)	(1,092)	(710)
Impact of adjustments and assumptions on scheme liabilities (Note F)	1,686	(2,475)	(908)	(1,819)	(642)
Impact of experience adjustments on scheme assets (Note G)	(1,047)	2,905	(857)	(725)	1,934

OFFICE BEARERS

Patron

Her Majesty The Queen

President

HRH Princess Alexandra, the Hon. Lady Ogilvy, KG, GCVO

Vice Presidents

Vice Admiral Sir David Dobson KBE

Air Chief Marshal Sir David Parry-Evans GCB CBE

Dennis Roberts OBE

Marshal of the Royal Air Force The Lord Craig of Radley GCB OBE – to September 2015

The Mayor of Richmond upon Thames

The Mayor of the Royal Borough of Kingston upon Thames

The Mayor of Solihull

MEMBERS OF THE BODY OF GOVERNORS

During the year ended 31 December 2015

Vice Admiral Sir John Dunt KCB BSc CEng FIET (Chairman – to September 2015)

^{1,2,3,4,5} Major General Tim Tyler CB MA (Chairman – from September 2015)

Susan J Bush RRC MBA BA(Hons) RGN

^{1,2,4} J. Malcolm D. Chapple BSc, Barrister at Law, FCIArb (Vice Chairman)

^{3,4,5} Air Vice-Marshal Simon R C Dougherty MSc MBBS FRCP FFOM DAvMed DObstRCOG FCMI FRAeS

Surgeon Rear Admiral Michael A Farquharson-Roberts CBE PhD MA MB FRCS

² Digby Flower BSc MRICS

^{1,3,4,5} Amanda Francis DSS BSc ACA (Treasurer)

^{1,3} Nigel Gaymer FCA – to March 2016

² Christopher Harrison

³ Robert Robson BA MLoD

Captain Julie Thain-Smith BSc (Hons) RN(A) QARNNS

Group Captain Marcus Wills CVO OBE

^{1,4,5} Mark Wills BSc FRGS DipAIBD MInstRE Chartered FCSI CWM

Medical Representatives from the Armed Services – Ex Officio Governors

Surgeon Commodore Peter Buxton OBE QHP FRCR RN MDG(N)/ACOS Med

Major General Jeremy Rowan OBE QHS L/RAMC – to March 2016

Group Captain Phil Spragg QHN MA MSc PMRAFNS – to March 2016

Appointee of The British Red Cross Society

Professor Suzanna Rose JP DL PhD MA RN

¹ Member of Finance Committee as at 31 December 2015

² Member of Property Committee as at 31 December 2015

³ Member of Strategy Group as at 31 December 2015

⁴ Member of Remuneration Committee as at 31 December 2015

⁵ Member of Investment Group as at 31 December 2015

LEGAL AND ADMINISTRATIVE INFORMATION

FULL NAME

The Royal Star & Garter Homes

Registered Charity No. 210119

Incorporated by Royal Charter in England: Company No. RC000713

BODY OF GOVERNORS

A full list with appointments to sub-committees is shown on Page 29.

EXECUTIVE

Michael Barter CBE

Chief Executive – to January 2016

Andy Cole OBE MA MBA

Chief Executive – from January 2016

Gordon Craig BA MInstF

Director of Fundraising & Marketing

Siobhan Creighton FCIPD

Director of Human Resources

Malcolm Munro-Faure BSc ACA FRSA

Director of Finance & ICT

Pauline Shaw BHSc MSc RGN PG Dip Arts (Nursing)

Director of Care & Service Development

REGISTERED OFFICE

15 Castle Mews

Hampton

Middlesex TW12 2NP

general.enquiries@starandgarter.org

SOLIHULL HOME

Tudor Coppice

Solihull

West Midlands B91 3DE

SURBITON HOME

Upper Brighton Road

Surbiton

Surrey KT6 6JY

BANKS

National Westminster Bank Plc

Lloyds Bank plc

Barclays Bank PLC

SOLICITOR

Trowers & Hamlins LLP

3 Bunhill Row

London EC1Y 8YZ

INVESTMENT MANAGER

Sarasin & Partners LLP

Juxon House

100 St Paul's Churchyard

London EC4M 8BU

AUDITOR

Crowe Clark Whitehill LLP

St Bride's House

10 Salisbury Square

London EC4Y 8EH

Our Homes



Our residents and care staff engage in a wide range of activities which are an integral part of daily life in our Homes.



The Royal Star & Garter Home, Solihull opened in August 2008

The Royal Star & Garter Home, Surbiton opened in August 2013



Residents enjoy receiving therapeutic care from our physiotherapy teams. We encourage residents to remain active to help them retain their independence and well-being.



The Royal Star & Garter Home, High Wycombe will open early in 2018.

Derek Banham

Derek Banham entered the Royal Navy in 1943, aged 18. He later joined HMS Loch Craggie, and took part in the Battle of the Atlantic. On Churchill's orders, his ship found and sank the German U-boat responsible for the torpedoing of seven Allied Ships. The memories of this are still with him.

Today, Derek receives specialist nursing and therapeutic care so he can retain his mobility and independence.



“From Admiral to Seaman Gunner, we were all shipmates – once Navy, always Navy.”





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