



Lifeboats



**RNLI ANNUAL REPORT
AND ACCOUNTS 2010**



Portrush crew members
attaching a tow rope on exercise

Annual Report of the Trustees of the Royal National Lifeboat Institution

FOR THE YEAR ENDED 31 DECEMBER 2010

2010 was the RNLI's second busiest year on record. Although the number of launches was slightly down, the number of people rescued increased. Our lifeboats and hovercraft were launched operationally on 8,713 occasions, an average of 24 times a day. Lifeboats saved 309 lives and rescued in total 8,313 people. Our Thames lifeboats, which are included in these figures and are some of our busiest stations, launched on 849 occasions and rescued 297 people, including 31 lives saved. On 152 beaches around the coasts of England and Wales our lifeguards saved a further 107 lives, attended a record 16,664 incidents and helped a further record 18,779 people.

The continuing tough economic conditions in both the United Kingdom and the Republic of Ireland provided a further challenging year for our fundraisers, with a second year of decline in both legacy and other fundraising income, but again not by much. These results were a major achievement by our volunteers and staff in a difficult fundraising environment.

Spending was once again tightly controlled during the year, and further reduced through our Lean efficiency and cost-reduction programme, which was launched in May 2010. Increases due to additional RNLI beach lifeguard units and depreciation were more than outweighed by savings achieved, with a reduction of £1.6M in total charitable expenditure during the year. After respectable investment growth, though not at last year's levels, we again achieved a modest increase to reserves, which we have already committed through our 5-year business plan to our capital expenditure programme. We also withdrew £11.6M from investments during the year to fund our capital expenditure in new lifeboats and lifeboat stations.

Our investment in lifeboats and lifeboat stations during the year fell slightly short of last year's levels. We had planned a busy year of station building, but were delayed by difficulties with planning consents, and further thwarted by bad weather at both the start and the end of the year. Plans are in place to catch up in 2011.

The faltering economic recovery continues, with further challenges to come as both the UK and ROI tackle their budget deficits and cut government expenditure. In this environment the funding that we receive from our generous and committed supporters is more important than ever. We greatly appreciate this support and will continue to ensure both that the money is spent wisely and carefully, and that the institution operates effectively and efficiently.

On behalf of the Trustees, may I once again extend our deepest thanks to all of the RNLI's operational volunteers, fundraisers and supporters who give so generously of their time, money and enthusiasm to support us in saving lives at sea.



Admiral the Lord Boyce GCB OBE DL
Chairman
Royal National Lifeboat Institution
6 April 2011

The Annual Report and Financial Statements of the Royal National Lifeboat Institution (RNLI) for the year ended 31 December 2010 have been prepared in accordance with applicable accounting standards, the Charities Act 1993, and the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' (revised 2005) (second edition 2008) and comply with the charity's trust deed.

In July 2009, the RNLI's priorities for the 5 years from 1 January 2010 were published in the *RNLI Plan 2010-14* (the Plan). The full plan is available from the RNLI's registered office or may be downloaded from the website at rnli.org.uk. Extracts from the plan, together with key achievements and performance during 2010, are included within this report.

Annual Report of the Trustees of the Royal National Lifeboat Institution

FOR THE YEAR ENDED 31 DECEMBER 2010

PURPOSE

The RNLI saves lives at sea.

VISION

To end preventable loss of life at sea.

VALUES

Our work is based on and driven by our values.

Our volunteers and staff strive for excellence and are:

Selfless: willing to put the requirements of others before our own and the needs of the team before the individual, able to see the bigger picture and act in the best interests of the RNLI, and to be inclusive and respectful of others. Prepared to share our expertise with organisations that share our aims.

Dependable: always available, committed to doing our part in saving lives with professionalism and expertise, continuously developing and improving. Working in and for the community and delivering on our promises.

Trustworthy: responsible, accountable and efficient in the use of the donations entrusted to us by our supporters, managing our affairs with transparency, integrity and impartiality.

Courageous: prepared to achieve our aims in changing and challenging environments. We are innovative, adaptable and determined in our mission to save more lives at sea.

THINGS WE WILL NOT CHANGE

Volunteer Ethos

Our lifesaving service is provided wherever possible by volunteers, generously supported by voluntary donations and legacies.

Independent of Government

We do not seek funding from central Government.

Major charity, community based

We operate through local teams, centrally directed and resourced.

Maritime

Our exceptional expertise is in the preservation of life at sea and on the water through prevention and rescue.

Heritage

We are proud of our history and tradition and of the RNLI's achievement of saving lives over nearly 2 centuries.

CONCEPT OF OPERATIONS

The RNLI saves lives at sea throughout the United Kingdom (UK) and the Republic of Ireland (RoI) by providing:

- a strategically located fleet of all-weather lifeboats, which are available at all times, and tactically placed inshore craft, which are subject to weather limitations
- a lifeguard service on a seasonal basis
- safety education and accident prevention

to a defined standard of performance, commensurate with the resources available, using trained and competent people who, wherever possible, are volunteers.

STRATEGIC PERFORMANCE STANDARDS

We aim to:

Achieve an average launch time of 10 minutes from notification to the RNLI.

- > An overall average launch time of 10 minutes was achieved in 2010 (2009: 8.5 minutes). The increase in average launch time was due to an increase in the incidence of low-tide launches at stations with carriage-launched lifeboats.

Reach all notified casualties where a risk to life exists, in all weathers, out to a maximum of 100 nautical miles.

- > In 2010, lifeboats launched on service 8,713 times (2009: 9,223), rescuing 8,313 people (2009: 8,235), and saving 309 lives (2009: 333).

Reach at least 90% of all casualties within 10 nautical miles of the coast within 30 minutes of launch in all weathers.

- > The performance standard achieved in 2010 was 92.5% (2009: 95.8%). This is a slight drop from 2009 but reflects a change to a more challenging target of 10 nautical miles from the coast rather than the historic datum of 10 nautical miles from lifeboat stations.

Reach any beach casualty up to 300m from shore within the flags, on RNLI lifeguard-patrolled beaches, within 3½ minutes.

- > In 2010, RNLI lifeguards attended 16,664 incidents on RNLI-patrolled beaches (2009: 13,591), aided 18,779 people (2009: 15,957) and saved 107 lives (2009: 123). It is not cost effective to measure the average response time but our risk assessment process, fitness standards and operational configuration of the lifeguard service are all designed to achieve this strategic performance standard.

Deliver clear straightforward safety advice that positively influences behaviour, measured against agreed benchmarks.

- > Key sea safety messages and advice around lifejackets and safety equipment were delivered through roadshows, presentations and face-to-face communications, reaching a total audience of well over 70,000 people. Beach safety advice has been delivered through the key programmes of Beach to City, Meet the Lifeguards and Hit the Surf and reached a combined audience of 82,000. In 2010, research

among beach users showed that 30% understood the dangers of rip currents, 80% understood the meaning of the red and yellow flags and 48% understood the meaning of the black and white flags.

PRINCIPAL ACTIVITIES

The RNLI operates 235 lifeboat stations around the coasts of the UK and the RoI, served largely by volunteers (branch officials, coxswains/helms, crew, shore crew and supporters). The RNLI also provides lifeguards to 27 local authorities and 4 other landowners providing access to the public, with 152 beach lifeguard units in England and Wales (2009: 28 local authorities, 142 units).

The RNLI operates throughout the UK and the RoI. Lifesaving operations are headquartered in Poole and based on six operating divisions (numbers of lifeboat stations in brackets): the North (33), East (43), South (35) and West (36) of England; Scotland (45) and Ireland (43) – Northern Ireland (9) and the Republic of Ireland (34). Fundraising is also managed centrally from the RNLI's Headquarters in Poole, supported by community fundraising offices strategically located across England, Wales, Scotland, Northern Ireland and the Republic of Ireland.

RNLI lifeguards currently operate on beaches throughout the south, south west and north east of England, in northern East Anglia and in south Wales.

The RNLI also provides three fully trained and equipped flood rescue teams, each comprising 20 core members, most of whom are drawn from volunteer lifeboat crew.

As well as lifesaving and lifeguarding, the RNLI has a much broader impact with its sea safety, beach safety and fishing safety initiatives, ranging from educational activities with schoolchildren to the free safety checks offered to pleasurecraft users and safety advice provided to fishermen. Through the operation of the lifeboat service, the RNLI supports coastal communities throughout the UK and the RoI, invests heavily in new boats and boathouses and, through its crew training programmes, delivers training courses to thousands of crew members each year. Training is delivered either at or close to lifeboat stations, or at the Lifeboat College in Poole.

The RNLI is totally reliant upon voluntary contributions for its funding. Legacies remain the institution's largest single source of income and the Trustees continue to be deeply indebted to the legators for their extraordinary generosity. The institution is also hugely dependent on the fundraising activities of a substantial number of dedicated volunteers in over 1,000 fundraising branches and guilds, as well as RNLI Governors, other members and donors. The Trustees remain sincerely grateful for their generosity and for their time. The RNLI's popular business in gifts, souvenirs and Christmas cards, operated by RNLI (Sales) Limited, also supports the work of the institution, through RNLI shops and branches, mail order, and over the internet.

The RNLI provides public benefit as a charity through the saving of lives at sea and the Trustees have complied with their duty in accordance with section 4 of the Charities Act 2006 to have due regard to the Charity Commission's guidance on the operation of this public benefit. There are no alternative

national organisations to undertake the role the RNLI performs and both HM Coastguard and the Irish Coast Guard rely on the RNLI for its resources to save lives at sea. The RNLI continues to work independently of Government and relies on its fundraising abilities to meet the cost. The public benefit of its activities is demonstrated by the number of rescues carried out and the number of lives saved.

Additionally an increasing number of beaches are protected by the RNLI's equipment, employees and volunteer lifesavers.

VOLUNTEER ETHOS

The charity relies on over 7,600 operational volunteers for the delivery of the service. Its fundraising activities are also carried out by a network of a further 35,000 or so volunteers, together with the Governors, other members, other donors and other supporters backed up by full-time staff.

THE RNLI LEAN PROGRAMME

In May 2010 the RNLI launched an organisation-wide, 3-year efficiency and cost-reduction programme based on Lean methodology. Lean is a system of continuous improvement pioneered by industry and now used successfully in both manufacturing and service organisations. Within the RNLI, the programme is seeking to improve all aspects of our performance across four measurements: people, time, quality and cost and on the last point we have set substantial targets for cost savings by the end of 2013. These targets will ensure that the very best value for money is obtained from the funds so generously donated by our supporters. To date, although the programme did not start until the Summer of 2010, over 600 staff have now been trained in the system and over 60 Lean workshops have been held, which have already resulted in improvements and actual cost savings identified to date of £1M per annum, reflected in the 2010 results.

THE FUNDRAISING STANDARDS BOARD

The RNLI is a member of the Fundraising Standards Board and maintains a formal complaints procedure. The RNLI fully supports the self-regulation of fundraising and is committed to providing its supporters with the best possible level of service.



The RNLI Plan 2010–14

WITH ACHIEVEMENTS AND PERFORMANCE DURING 2010

The *RNLI Plan 2010–14* was published in 2009. It is available from the RNLI's registered office or may be downloaded from the website at rnli.org.uk.

Extracts from the Plan, setting out the RNLI's priorities for the next 5 years, together with key achievements and performance against those priorities in 2010, are reproduced below:

Plan overview

The Plan is set within the context of the *RNLI's Strategy 2010–30* that was approved by the RNLI's Trustees in February 2009. It identifies how we intend to address the challenges we meet when delivering our core purpose of saving lives at sea.

The need for our service is expected to evolve in line with the changing pattern of sea use. We anticipate an increase in demand from leisure marine and watersports participants together with a higher demand on our lifeguard service being mitigated to some extent by technological and other improvements in lifesaving techniques. This change in demand will continue to be met through the established Coast Review process.

The economic volatility that emerged during 2008 will have an impact on both our finances and also those of our supporters. Despite this uncertainty we remain committed to delivering our key long-term priorities of:

- a 25-knot all-weather lifeboat fleet
- national lifeguard coverage at locations identified by the risk review process
- maintaining our position as a leading organisation in the safety and prevention arena.

Other factors considered when developing our plans include:

- changes in the demographics of our volunteers (both operational and fundraising) and the implications for maintaining our volunteer ethos
- climate change and the subsequent impact on demand for flood relief and lifeguarding services
- how advances in technology can be embraced in such areas as boat design, construction and communications.

Turning to the priorities over the 5 years 2010–14, we see the following themes emerging:

- uncertainty over income – we expect a more competitive fundraising environment leading to significant pressure on our income targets
- ability to progress the capital build projects – we will continue to monitor the timing of these works and, if necessary, adjust in line with the funds available
- containing expenditure – we will need to continue to exercise constraint over expenditure while delivering our expanding service
- effectiveness and efficiency – whether in times of hardship or plenty, the RNLI must continually work hard to challenge processes and procedures to ensure we are effective, efficient and fit for purpose. This is to be carried out within the RNLI's continuous improvement framework.

CORE ACTIVITY PROGRAMMES

The Concept of Operations is delivered by three core activity programmes:

Lifeboats – a strategically located fleet of lifeboats crewed, wherever possible, by volunteers

Lifeguards – a proactive lifeguard service, provided mainly on a seasonal basis by a combination of paid and volunteer lifeguards

Prevention – a safety, education and accident prevention advisory service that underpins the RNLI's core purpose.

The need for our service continues to grow, which creates an increasing need for public support.

LIFEBOATS

Secure the people and infrastructure to run the lifeboat service.

Priorities 2010–14

Delivery of the lifeboat service to meet the strategic performance standards.

- > 92.5% achieved, against our strategic performance standard of reaching at least 90% of all casualties within 10 nautical miles of the coast within 30 minutes of launch in all weathers.

Continue the deployment of the 25-knot all-weather lifeboat fleet together with adequate shoreworks provision.

- > Four new Tamar class all-weather lifeboats were delivered to plan in 2010.

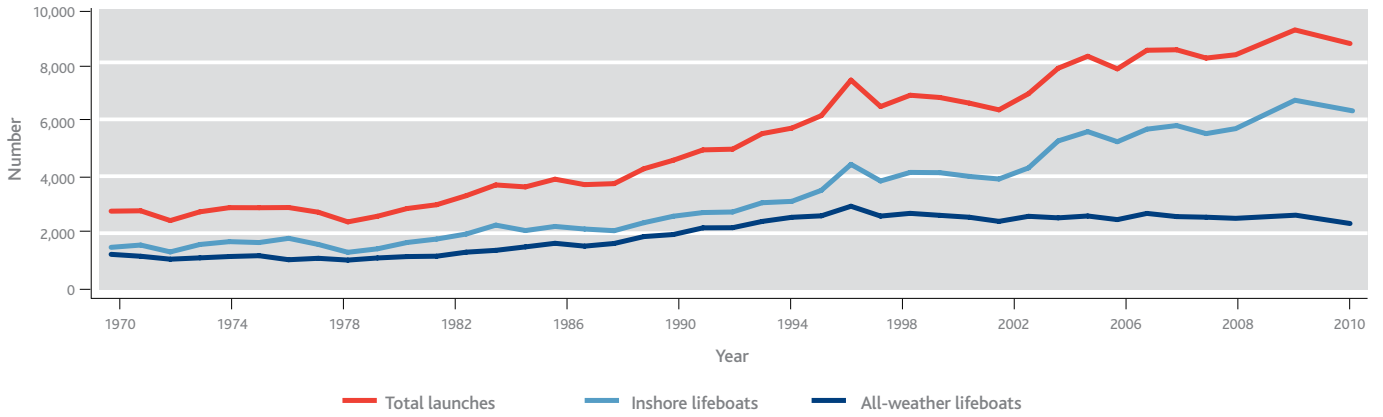
Maintain and develop the volunteer ethos.

- > The RNLI is already totally reliant on its operational and core fundraising volunteers, with 97% of the RNLI's active workforce represented by volunteers. However, following the appointment of a volunteer and diversity manager in the year, the RNLI is now also working to extend the involvement of volunteers to other areas.

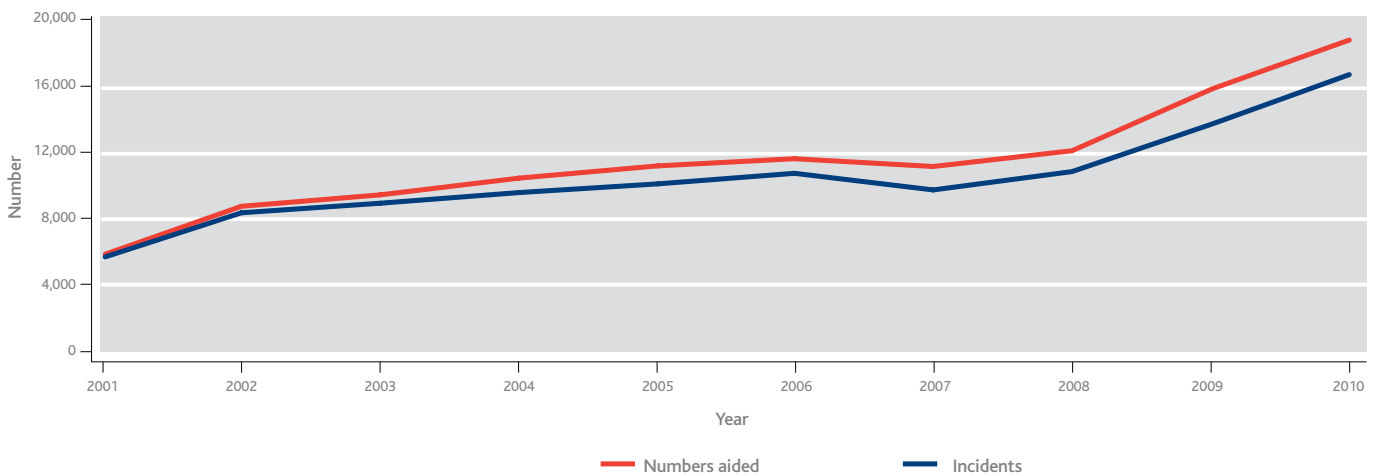
Ensure training provision meets operational needs.

- > Over 3,500 lifeboat crew members and lifeguards were trained during 2010. Lifeboat crew and lifeguard training courses were redesigned in the year to meet the operational demand more effectively and efficiently. Significant cost savings have also been achieved.

Total lifeboat launches



Total lifeguard activity



LIFEGUARDS

Secure the people and infrastructure to run the lifeguard service.

Priorities 2010–14

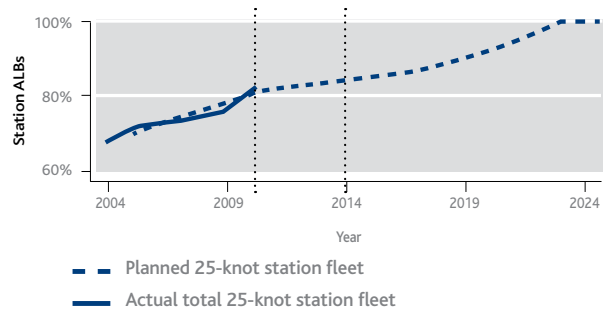
Delivery of the lifeguard service to meet the strategic performance standards and international lifesaving best practice.

- > The RNLI’s key strategic performance standard is to reach any beach casualty up to 300m from shore within the flags, on RNLI lifeguard-patrolled beaches, within 3½ minutes. Whilst cost and operationally effective means have not been found to measure performance against this standard, the risk assessment process, fitness standards and operational configuration of the lifeguard service are all designed to achieve this goal.

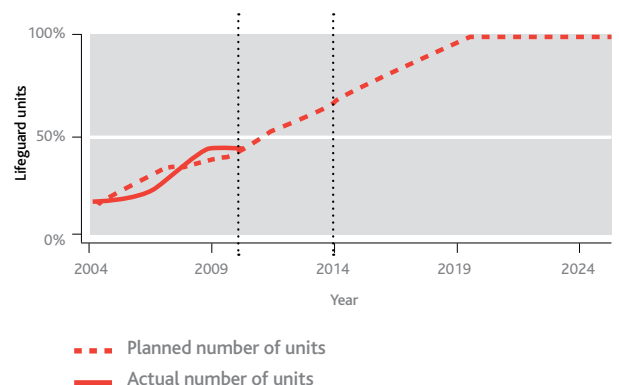
Continue with the lifeguard rollout programme.

- > The lifeguard service was delivered on 152 beaches in 2010, 10 more than 2009, with a further 11 planned for 2011.

Total stations with 25-knot all-weather lifeboats



Lifeguard programme (number of lifeguard units)



PREVENTION

Secure the people and infrastructure to run the prevention service.

Priorities 2010–14

Delivery of a cost-effective, coordinated prevention service based on activities defined through appropriate research, the effectiveness of which can be verified.

- > The primary Sea and Fishing Safety message of wearing a lifejacket is now supported by information on cold water shock. The Beach Safety message of swimming at a lifeguarded location is to be supported with newly commissioned rip current research and a parallel awareness programme. This is to provide the community with a greater understanding and hopefully increase capacity for the community to take more responsibility for their own safety.

SUPPORTING ACTIVITY PROGRAMMES

FUNDRAISING AND AWARENESS

Obtain sufficient funds to finance the RNLI plans, and awareness and support of who we are and what we need.

Priorities 2010–14

Maintain a positive public perception of the RNLI.

- > Out of our total monitored press coverage in 2010, over 90% was favourable. 68% of people sampled in an independent Ipsos survey in September 2010 said that they would speak highly about the RNLI.

Maintain awareness and propensity to support.

- > The independent Ipsos survey also reported total awareness of the RNLI at 75% (2009: 75%), spontaneous (unprompted) awareness at 9% (2009: 13%), and propensity to give at 54% (2009: 55%; 2008: 52%).

Develop and adapt a portfolio of fundraising mechanisms to optimise income.

- > 143,888 new supporters were recruited from across a range of fundraising activities in 2010, including: events, the Lifeboat Lottery, tribute funds, committed support, and appeals to raise ad-hoc donations. A project to deliver greater focus to community fundraising at the local level was launched during the year, recognising recent research findings that the general public are beginning to focus their charitable giving more towards local causes.

DESIGN, CONSTRUCTION AND MAINTENANCE

Provide affordable and appropriate operational plant, equipment and facilities that are properly maintained.

Priorities 2010–14

Lifeboats, launching equipment and other plant.

Design – progress new boat/equipment projects.

- > The Fast Carriage Boat 2 (FCB2) project is progressing to cost, although now with an approximate 3-month delay.
- > The fit-out of boat 1 of the E class replacement River Thames lifeboat project is progressing, with delivery to the RNLI in late Spring 2011. Options are in place to build boats 2 and 3 in parallel, including the potential to build a number of components at the RNLI subsidiary, SAR Composites Limited.

Supply – plant and equipment to agreed plan.

- > 4 Tamar all-weather lifeboats, 8 Atlantic 85 and 14 D Class inshore lifeboats, including all necessary launch and recovery and support equipment, were delivered to plan during the course of 2010.

Support – plant and equipment (refit/repair/refurbish).

- > Plant and equipment continues to be supported to meet the requirements of the Operations Department and the Concept of Operations. A programme to implement a condition-based approach to maintenance, known as CBM, is currently being defined for implementation during 2011. This will deliver improved reliability at reduced cost.

Improvement – develop a quality management system and through-life management approach.

- > QMS ISO9000 quality certification was achieved in August 2010, and an ongoing programme of external quality audit established. A through-life management methodology was introduced into the Engineering Office's workflow management system and embedded into the E class and FCB2 project methodology.

Shore facilities

Station rebuild programme for the 25-knot fleet programme.

- > 12 major projects were completed in 2010, including facilities to house the Tamar all-weather lifeboats at Bembridge and Shoreham Harbour.

Provision of lifeguard beach and area support centres.

- > The infrastructure to support RNLI lifeguarded beaches was successfully deployed in 2010.

**Wells Mersey class lifeboat
Doris M Mann of Ampthill
being launched by carriage
alongside the D Class**



PEOPLE AND TRAINING

Provide competent crew, lifeguards, other volunteers and staff.

Priorities 2010–2014

Develop a generic behavioural and competency framework and embed these principles in the RNLI.

- > A completely redesigned competency framework for all staff was completed and launched during 2010, for implementation in 2011.

Ensure an ongoing supply of competent volunteers.

- > Volunteer practices are being reviewed for consistency. New opportunities have also been explored with 65 volunteers taking up non-traditional roles during 2010 such as researchers, administrators and accountants. Nine volunteer internship programmes are being trialled in 2011.

Ensure training is inherent in the through-life principles being adopted for lifeboat design.

- > Tripartite working arrangements have been established between Operations, Engineering and Training departments bringing training and lifeboat design closer together.

SUPPORT

Deliver effective and efficient support.

Priorities 2010–14

Finance

Improve the quality and consistent use of financial information.

- > A detailed and fully costed sales catalogue of the RNLI's lifesaving project and service delivery funding requirements was created during the year, named the Chandlery. This is used to support the work of the RNLI's volunteer and full-time fundraisers in giving donors a detailed view of where their donations get spent.

Implement an investment strategy to deliver required investment returns.

- > Implementation of the investment strategy, reviewed and revised in July 2010, is complete. The portfolio achieved a total return of 9.7% against a performance target return of 9.1%.

Information Systems

Ensure system reliability and alignment to business need.

- > 99% system reliability was achieved in the year. A strategic workshop was held in September, focusing on the alignment of IS to business need, and further work is planned in 2011 and 2012. The Microsoft migration programme was completed in July 2010, standardising operating systems on Microsoft software and achieving substantial savings in software and hardware costs.

Business Support

Improve the provision of management information.

- > A revised quarterly report was introduced to highlight key performance indicators and this is shared with senior management and Trustees.

Review RNLI governance arrangements.

- > The *RNLI Charter & Bye-Laws* were revised, redrafted and approved by the Trustees during the year, and will be presented to the Governors for adoption at the Annual General Meeting on 19 May 2011. Redrafting of the supporting Governance Regulations to enact the Bye-Laws after adoption has begun.

International representation

Deliver services based on international strategy.

- > In 2010, the RNLI had detailed discussions with 32 International Maritime Search and Rescue (SAR) organisations about knowledge sharing and associated commercial opportunities. These ranged from selling ex-service lifeboats to the provision of training and advice on rescue strategies. We also carried out research into international market opportunities and appointed an International Manager early in 2011 to help refine and deliver our strategy. Whilst a very small part of our activity, the RNLI's international strategy aims to recycle money raised from international commercial relationships to help support emerging maritime SAR organisations worldwide.

Business Services

Deliver the environmental management system and improve RNLI environmental performance.

- > An environmental strategy was launched in 2010, focusing on reducing CO₂ output with the additional benefit of delivering significant cost savings. Furthermore, a new strategy to improve RNLI Health and Safety was introduced. This focuses on encouraging staff and volunteers to report minor accidents and near misses, which in turn should help the organisation learn from mistakes and avoid major accidents.

CONTINUOUS IMPROVEMENT

Reinforce a culture of continuous improvement.

Priorities 2010–14

Embed an effective range of improvement techniques within all management to achieve quantifiable benefits.

- > An enterprise-wide approach to a continuous improvement culture based on Lean thinking was introduced during the year. This commenced in May 2010, with the Executive Team designing ambitious targets across people, time, quality and cost metrics. Over 50 workshops covering many aspects of the RNLI have taken place, together with training and communications to engage and support our people. Significant steps have been made towards achieving these targets.



Lifeguard at Constantine Bay,
Cornwall reaches out to
a casualty

Financial review

FOR THE YEAR ENDED 31 DECEMBER 2010

RESULTS FOR THE YEAR

2010 was again a challenging year for the RNLI's fundraising as the UK and RoI's difficult economic conditions continued. Nevertheless raised voluntary income fell just £0.3M short of the prior year, although legacies were down £3.1M on 2009. Careful cost control and the first impacts of our Lean efficiency and cost-reduction programme saw charitable expenditure fall by £1.6M, despite the continued expansion of our lifeguarding. Capital expenditure, as we continue our ongoing rollout of the 25-knot all-weather lifeboat fleet, and its associated investment in shoreworks, continued, although down some £5.1M on last year, mostly due to delays enforced by adverse weather conditions at both ends of the year.

Income

Raised voluntary income fell by just 0.6% in 2010 to £51.5M, with legacies (after restating 2009 figures for a change in accounting policy – see below) falling 3.3% to £90.6M. Merchandising and other trading, and Lifeguarding and other income were both up, by £0.3M (2.2%) and £0.4M (16.7%), while investment income reduced by £1.6M (26%) after investment strategy changes into pooled funds. As a result, total incoming resources for 2010 were £163.5M, down £4.3M (2.6%) on the prior year. Costs of generating voluntary income were held below last year's levels, at £23.0M, down £0.6M (2.5%) on 2009.

The accounting policy for income was changed in the year to include legacy income on a receivable basis from the date of probate, where sufficient information has been received. The previous policy had been to account for pecuniary legacies on date of notification, and residuary legacies at date of receipt, up to 31 January following the year end. The change was made in the light of emerging best practice and improved information.

Expenditure

Overall charitable expenditure at £121.9M was down by £1.6M (1.3%) in spite of a small increase of £0.4M (0.6%) in Rescue as the expansion of lifeguarding continued. Prevention expenditure was down by £0.6M (13%), Operational maintenance was £1.0M (2%) lower and Innovation was down by £0.4M (9.1%), following poor weather at the start and end of the year and also as a result of savings across the board following the launch of the RNLI's Lean programme in May 2010.

Investments

The recovery in investment values since the losses of 2008 continued, with investment gains of £17.5M. Some 80% of the losses of 2008 have now been recovered. The new investment strategy, implemented in 2009 (see page 10), continues to perform well, with an overall total investment return of 9.7% against a portfolio target return of 9.1%.

CAPITAL EXPENDITURE

With total capital expenditure of £37.5M (2009: £42.6M), our programme of replacing and improving our lifeboats and lifeboat stations continued, although at a lower level than the previous year due to the adverse weather conditions. In all, we added 4 new Tamar all-weather lifeboats (ALBs), 22 inshore lifeboats (ILBs) and completed 12 major lifeboat station projects.

SAR Composites Limited, formed in 2009 to acquire the ALB hull manufacturing operations of Green Marine Limited, the only remaining UK company to retain that capability, continued to perform well in the year.

FINANCIAL POSITION AT YEAR END

As at 31 December 2010, the RNLI had total net assets of £550.4M.

Tangible fixed assets totalled £321.3M, of which £236.7M represented investments in lifeboats, lifeboat launching equipment and lifeboat stations. Training facilities, depots and offices made up a further £73.0M, with another £11.6M in other fixed assets. Intangible fixed assets comprised a further £1.5M.

Investments of £235.9M comprised £10.1M of endowment reserves, £76.4M of restricted reserves, £78.0M designated planned capital expenditure reserves to maintain and support the lifeboat fleet, and cash free reserves of £80.1M, less net working capital and long-term creditors of £8.7M.

The balance of total net assets comprised net working capital and long-term liabilities of £8.7M, the accrued legacy reserve of £21.1M, less the FRS17 defined benefit pension liability of £38.1M.

The RNLI achieved a surplus of income (incoming resources) over expenditure (resources expended) in 2010 of £8.2M (2009: £11.4M). After capital expenditure, changes to the values of investments and the FRS17 pension fund deficit, and other balance sheet movements, the institution's free reserves stood at £80.1M (2009: £77.3M), equivalent to just 8 months of charitable expenditure (2009: 8 months), which is at the lower end of the Trustees' policy. These free reserves are held to provide assurance of the continuity of lifeboat and lifeguard operations in the event of adverse economic conditions. The accrued legacy reserve at £21.1M (2009: £23.7M) represented a further 2 months of charitable expenditure (2009: 2 months). Thus as at 31 December 2010 net free reserves (excluding the negative FRS17 pension reserves) stood at 10 months (2009: 10 months).

The finances of the RNLI remain sound. But we continue to face an uncertain economic future, with the full impact of the measures required to correct the UK's and RoI's deficits still to come, and the effects they will have on our fundraising still uncertain. We continue to depend entirely on the public's generosity to support our work in saving lives at sea.

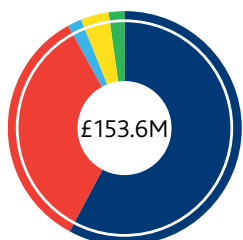
PRINCIPAL FINANCIAL MANAGEMENT POLICIES

Reserves policy

The Trustees review the reserves policy each year. In conducting this review, they have taken account of best practice and past consultations with the Charity Commission. The policy on endowment, restricted and designated reserves remains unchanged.

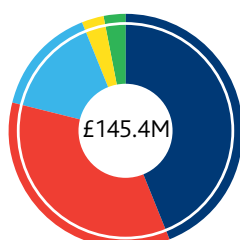
The policy establishes:

Endowment reserves, which are capital sums donated under the restrictions that they are invested and that only the income arising is available for expenditure in accordance with the donors' directions.



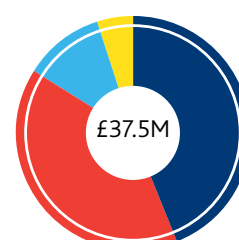
INCOME

■ Legacies	59%
■ Raised voluntary income	33%
■ Net investment income	2%
■ Net merchandising and other trading	4%
■ Lifeguarding and other income	2%



REVENUE EXPENDITURE

■ Rescue	44%
■ Operational maintenance	34%
■ Cost of generating voluntary income	16%
■ Prevention	3%
■ Innovation	3%



CAPITAL EXPENDITURE

■ Lifeboat stations	44%
■ Lifeboats and launching equipment	40%
■ Other plant and equipment	11%
■ Other operational property	5%

Income and expenditure are shown net of the cost of merchandising and other trading (£8.7M) and investment fees (£1.2M).

Restricted reserves, which are reserves only available for expenditure in accordance with the donors' directions. Where those reserves have been expended on fixed assets, the reserves financing the book value of those assets will continue to be accounted as restricted reserves, reflecting the source of funds and the RNLI's continued obligations in respect of the use of those assets.

Designated reserves, which are set aside at the discretion of the Trustees and comprise:

- fixed assets, which finances those fixed assets of the RNLI funded other than by restricted donations,
- planned capital expenditure, which sets aside funds to ensure that the RNLI can meet its planned capital expenditure. This is expenditure to which the RNLI is committed over the next 3 years in order to maintain the operation of the lifeboat and lifeguard service, principally new lifeboats and lifeboat stations. The total amount set aside excludes projects to be funded by restricted reserves.

All the above reserves are Committed reserves.

Free reserves, which are retained to enable the Trustees to provide assurance to those at sea, the public and the governments of the UK and the RoI that the RNLI will be able to sustain its commitment to provide the lifeboat and lifeguard service. The reserves are set at a level to withstand any short-term setback, whether operational, in the investment markets or in key sources of income, such as legacies.

If free reserves fall outside the range of 6–18 months' charitable expenditure cover, the Trustees will review the strategic plan, and make such changes as they consider appropriate. One month's charitable expenditure is defined as the annual charitable expenditure divided by 12 months.

For the purposes of the above calculation, free reserves are calculated prior to the deduction of negative pension reserves, which are shown within net free reserves as required by FRS17.

Investment policy

The RNLI's investments are held to protect against future shortfalls in donations and legacies or as required by donors of restricted funds or endowments. The long-term nature of our service and the timescales involved in our capital expenditure make such protection very necessary.

A more cautious investment policy was introduced in 2004, and the level of prudence was further increased in 2008 and 2009. At the same time, the Trustees are conscious that some level of volatility is inevitable if good investment use is to be made of the sums involved. Risk is spread across different asset classes and between different styles of investment management.

As at 31 December 2010, the assets were divided on the advice of the investment advisers between a number of different investment managers and pooled investment funds, achieving a much greater diversification of investment than in prior years. Investments are held centrally by an independent custodian, Northern Trust, who also measured performance during the year. As at 31 December 2010, the strategic asset allocation was as follows:

- Absolute return funds 47%
- Fixed interest 27%
- Equities 20%
- Property unit trusts and cash 6%

Several of the pooled investment funds held by the RNLI use derivative products within their portfolios to reduce market risk in line with their investment strategies. No derivative products are held directly by the RNLI.

The Trustees have considered carefully the requirements of the SORP and the Charity Commission's guidance note CC14 and have concluded that they do not believe there to be any listed investment adverse to the purpose of the charity, saving lives at sea, and therefore they do not apply any specific ethical constraint to the investment policy.

The RNLI's investments are substantially held in pooled funds, some of which are index tracking funds and not actively managed. The RNLI periodically reviews the policies of the managers of those funds and the managers of its remaining segregated assets with reference to the United Nations Principles of Responsible Investment, and the composition of both its pooled fund and segregated investment portfolios, but would not seek to influence the investment discretion of the investment manager or withdraw from any pooled fund unless an investment was identified that conflicted with the charitable objectives of the institution.

Both the investment policy and the performance of the investment advisers, pooled investment funds and investments held by other investment managers are monitored closely by RNLI staff and the RNLI's Investment Sub-Committee.

Governance

The Royal National Lifeboat Institution (RNLI) was founded in 1824, and incorporated under Royal Charter in 1860, with Supplemental Charters granted in 1932, 1986 and 2002. The institution is established as a charity in England and Wales, no. 209603 and Scotland, no. SC037736. It is registered as Charity no. CHY 2678 in the Republic of Ireland. The address of the registered office is West Quay Road, Poole, Dorset, BH15 1HZ.

A review of the Royal and Supplemental Charters was performed during the year, and amendments will be proposed to the RNLI's Governors for approval and adoption at the Annual General Meeting on 19 May 2011. No major changes to the governing principles are being proposed.

The RNLI has four wholly-owned subsidiary companies: RNLI (Enterprises) Limited, RNLI (Sales) Limited, RNLI (Trading) Limited, and SAR Composites Limited, a subsidiary of RNLI (Trading) Limited.

THE TRUSTEES AND MANAGEMENT

The RNLI is controlled by a Trustee Committee.

The Trustees are a body of volunteers with distinguished careers in a wide variety of fields. They come from all parts of the UK and RoI and many have had a lifelong interest in the sea. Trustees are appointed from within and by the Council, which in turn provides broad advice and support to the Trustees. Members of Council may be proposed to the Membership Nomination Committee by the Trustees or a Governor. This Committee, which comprises the Chairman, the Vice-Chairman, the Deputy Chairmen and the Chairman of the Resources Committee, reviews the names proposed and submits its recommendations to the Annual General Meeting for election by the Governors. Trustee Committee Members serve a 3-year term, but may be re-elected for succeeding terms.

In addition, there are a number of advisory committees, enabling experienced specialists to contribute to key aspects of the RNLI's affairs, and an Audit and Risk Committee. The Audit and Risk Committee meets twice a year and reviews the work of the external and internal auditors, the *Annual Report and Accounts* and other financial information prior to publication.

The RNLI also employs specialist advisers as shown on page 33.

On appointment, new Trustees are given an induction programme and a reference manual to familiarise themselves with the work of the RNLI and their role. Periodic training sessions are also held for the Trustee body as a whole. The Chief Executive is responsible to the Trustees for the day-to-day running of the RNLI and the execution of the strategy and policies decided by the Trustee Committee.

Names of RNLI Trustees who served at any time during 2010 and/or were Trustees of the charity as at the date of this report, together with the names of the Chief Executive, other members of the Executive Team, and other relevant organisations and persons are given on pages 32 and 33.

RISK MANAGEMENT

By the RNLI's very purpose, the crews, support staff and operational assets are exposed to substantial risk. The Trustees have taken all appropriate steps to mitigate and manage these operational risks, principally through crew training, appropriate operational procedures, stringent design and maintenance of the lifeboats and equipment, and insurance of third-party risks.

The further development of competence-based training for lifeboat crew members, shore crew and lifeguards and the new designs of lifeboats are major elements of this continuing process.

The RNLI seeks actively to manage the organisation's key strategic risks on a continuous basis, which are formally reassessed by the Executive Team and Trustees biannually. The current key strategic risks relate to loss of life, the maintenance of the RNLI's reputation and our ability to raise funds.

These risks are analysed into key components in a risk register where responsibility for the management of each component is assigned to a senior manager. The Audit and Risk Committee monitors the resulting risk profile and reports to the Trustee Committee.

Although responsibility for risk management lies with RNLI management, the Internal Auditor facilitates the assessment process.

Crew of a D class inshore lifeboat in training, rescuing a child in difficulty at Polzeath, Cornwall



FINANCIAL POSITION

The Trustees consider that there is a reasonable expectation that the RNLI has sufficient resources to continue in operational existence for the foreseeable future and, for this reason, they continue to adopt the going-concern basis in preparing the accounts.

KEY FACTORS INFLUENCING PERFORMANCE

Achievement of the RNLI's objectives is subject to a number of factors both within and outside of the institution's control. Factors include the continuity and availability of public support, both in funding and in volunteering, economic stability (including the marine industry, the costs of maritime infrastructure and the price of fuel), the volatility of investment markets, continuity of national, regional and local government policy, and the stability of the sociological and geophysical coastal environment.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

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

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

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

The Trustees are responsible for keeping proper accounting records sufficient to show and explain the charity's and the 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 1993. 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. Through specified financial procedures they aim to ensure the security of RNLI property, safe receipt of all income and appropriate review and controls over expenditure and expenses such that they are relevant to the RNLI's objectives, fit for purpose, properly incurred and properly authorised.



Appledore crew member plotting a course onboard the Tamar class lifeboat *Mollie Hunt*

Independent auditor's report

TO THE TRUSTEES OF THE ROYAL NATIONAL LIFEBOAT INSTITUTION

We have audited the financial statements of the Royal National Lifeboat Institution for the year ended 31 December 2010 set out on pages 14–30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's Trustees, as a body, in accordance with section 44 of the Charities Act 1993 and in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITOR

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees 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 43 of the Charities Act 1993 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under those Acts.

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). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF 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 Trustees; and the overall presentation of the financial statements.

We read all the information in the Trustees' Report to identify material inconsistencies with the audited financial statements. 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 2010 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 1993 and the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

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 1993 or the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or
- the parent charity has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; 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
St Bride's House
10 Salisbury Square
London
EC4Y 8EH
6 April 2011

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

RNLI Consolidated statement of financial activities

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Net free reserves £M	Designated reserves £M	Restricted reserves £M	Endowment reserves £M	Total 2010 £M	Total (Restated) 2009 £M
Incoming resources							
Raised voluntary income		45.3	-	6.2	-	51.5	51.8
Legacies		67.9	-	22.7	-	90.6	93.7
Merchandising and other trading		14.1	-	-	-	14.1	13.8
Investment income	7c	2.7	-	1.8	-	4.5	6.1
Lifeguarding and other income		2.8	-	-	-	2.8	2.4
Total incoming resources		132.8	-	30.7	-	163.5	167.8
Resources expended							
Cost of generating voluntary income		(22.4)	(0.6)	-	-	(23.0)	(23.6)
Merchandising and other trading		(8.6)	(0.1)	-	-	(8.7)	(7.4)
Investment fees		(0.9)	-	(0.3)	-	(1.2)	(1.3)
Cost of generating funds		(31.9)	(0.7)	(0.3)	-	(32.9)	(32.3)
Rescue		(37.8)	(5.8)	(20.6)	-	(64.2)	(63.8)
Prevention		(3.9)	(0.1)	-	-	(4.0)	(4.6)
Operational maintenance		(40.1)	(2.1)	(7.4)	-	(49.6)	(50.6)
Innovation		(3.9)	(0.1)	-	-	(4.0)	(4.4)
International		(0.1)	-	-	-	(0.1)	(0.1)
Charitable expenditure		(85.8)	(8.1)	(28.0)	-	(121.9)	(123.5)
Governance expenditure		(0.5)	-	-	-	(0.5)	(0.6)
Total resources expended	5	(118.2)	(8.8)	(28.3)	-	(155.3)	(156.4)
Net incoming resources before transfers		14.6	(8.8)	2.4	-	8.2	11.4
Transfers between reserves	1g	(24.1)	23.3	0.8	-	-	-
Net incoming resources		(9.5)	14.5	3.2	-	8.2	11.4
Gains on investments	7b	12.4	-	4.2	0.9	17.5	29.7
Actuarial losses on pension schemes	14	(0.5)	-	-	-	(0.5)	(43.2)
Net movements in reserves		2.4	14.5	7.4	0.9	25.2	(2.1)
Reserves at 1 January		60.7	242.5	212.8	9.2	525.2	527.3
Reserves at 31 December		63.1	257.0	220.2	10.1	550.4	525.2

Prior year amounts have been restated to reflect the impact of an accounting policy change – see note 1e. The notes on pages 17–30 form part of these accounts.

RNLI and Consolidated balance sheet (note 2)

AS AT 31 DECEMBER 2010

	Note	2010		2009 (Restated)	
		£M	£M	£M	£M
Assets employed					
Fixed assets					
Intangible assets	6	1.5		1.6	
Tangible assets		321.3		305.3	
			322.8		306.9
Investments	7		235.9		230.0
Current assets					
Stocks	8	13.5		12.4	
Debtors	9	25.7		28.4	
Short-term deposits		7.1		8.9	
Cash		1.6		2.1	
		47.9		51.8	
Creditors					
Amounts falling due within 1 year	10	(12.1)		(16.8)	
Net current assets			35.8		35.0
Creditors					
Amounts falling due after more than 1 year	10		(6.0)		(6.4)
Net assets excluding pension liability			588.5		565.5
Defined benefit pension liability	14		(38.1)		(40.3)
Net assets including pension liability			550.4		525.2
The reserves of the Charity:					
Committed reserves					
Endowment reserves			10.1		9.2
Restricted reserves: Fixed assets		143.8		145.3	
Other restricted reserves		76.4		67.5	
			220.2		212.8
Designated reserves: Fixed assets		179.0		161.6	
Planned capital expenditure	12	78.0		80.9	
			257.0		242.5
Net free reserves					
Free reserves (invested)		80.1		77.3	
Accrued legacy reserves		21.1		23.7	
FRS17 pension reserves		(38.1)		(40.3)	
			63.1		60.7
			550.4		525.2

Prior year amounts have been restated to reflect the impact of an accounting policy change – see Note 1e. The notes on pages 17–30 form part of these accounts. The accounts of the RNLI and the consolidated accounts were approved and authorised for issue by the Trustees on 6 April 2011 and signed on their behalf.



Admiral the Lord Boyce GCB OBE DL
Chairman
6 April 2011



Paul Boissier CB MA MSc
Chief Executive
6 April 2011

RNLI Consolidated cash flow statement

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010		2009	
		£M	£M	£M	£M
Net cash inflow from operating activities	(a)		18.3		19.1
Returns on investments					
Investment income			4.5		6.1
Capital expenditure					
Payments to acquire fixed assets:					
Intangible assets			-		(1.7)
Lifeboats		(13.8)			(10.5)
Stations and shoreworks		(20.1)			(16.2)
Launching equipment		(1.2)			(1.3)
Depots, offices and training facilities		(1.8)			(2.0)
Computer equipment, plant and vehicles		(4.2)			(5.3)
Assets under construction movement		3.6			(7.3)
		(37.5)			(44.3)
Receipts from sales of fixed assets		0.8			0.9
Net cash outflow for capital expenditure			(36.7)		(43.4)
Cash outflow after capital expenditure			(13.9)		(18.2)
Investments					
Purchase of investments		(230.4)			(367.0)
Receipts from sale of investments		242.0			387.6
Net cash inflow from investments			11.6		20.6
Cash (outflow)/inflow before use of liquid resources			(2.3)		2.4
Management of liquid resources					
Transfer from/(to) short-term deposits			1.8		(2.7)
Decrease in cash in the year	(b)		(0.5)		(0.3)

Notes to the consolidated cash flow statement	2010	2009
(a) Reconciliation of changes in net incoming resources		(Restated)
to net cash inflow from operating activities	£M	£M
Net incoming resources	8.2	11.4
Investment income	(4.5)	(6.1)
Depreciation/amortisation	20.6	20.3
Loss on sale of tangible fixed assets	0.2	-
Increase in stock	(1.1)	(1.7)
Decrease in debtors	2.7	1.8
Decrease in creditors	(5.1)	(1.9)
(Decrease)/increase in pensions liabilities	(2.2)	38.5
Actuarial losses on pension schemes	(0.5)	(43.2)
Net cash inflow from operating activities	18.3	19.1

(b) Reconciliation of net cash outflow	2010	2009	Decrease in year
	£M	£M	£M
Cash	1.6	2.1	(0.5)

RNLI notes to the accounts

FOR THE YEAR ENDED 31 DECEMBER 2010

1 ACCOUNTING POLICIES

a) Basis of accounting

The accounts have been prepared under the historical cost convention, except that investments are stated at market value.

The accounts have been prepared in accordance with applicable accounting standards, the Charities Act 1993, and the Statement of Recommended Practice (SORP), Accounting and Reporting by Charities (revised 2005) (second edition 2008).

b) Basis of consolidation

All subsidiary companies have been consolidated on a line-by-line basis.

c) Depreciation

Tangible fixed assets costing more than £10,000 are capitalised and included at cost.

Fixed assets are depreciated over their current anticipated lives, which are assessed as follows:

Goodwill and intellectual property : straight line over 20 years

Lifeboat stations and shoreworks : straight line over 50 years

Other freehold/leasehold buildings : straight line over 50 years/period of lease

Lifeboats : 13–25% reducing balance per annum

Launching equipment : 13% reducing balance per annum

Office furniture and depot plant : straight line over 5–10 years

Computer and electronic equipment : straight line over 4 years

Motor vehicles : straight line over 4 years.

d) Pension scheme

The institution operates a defined benefit pension scheme covering its employees in the UK and the RoI. The scheme was closed to new entrants from 1 January 2007. A defined contribution pension scheme was established for new staff joining after that date. The defined benefit scheme assets are held in a separate Trustee-administered fund. The cost charged in the Statement of Financial Activities (SoFA) represents current service costs and gains and losses on settlements and curtailments calculated in accordance with FRS17. Actuarial gains and losses are recognised immediately. Further details are shown in note 14.

e) Incoming resources

All incoming resources are included in the SoFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. Pecuniary legacies are recognised as receivable once probate has been granted and notification has been received. Residuary legacies are recognised as receivable once probate has been granted, on an estimated basis as follows: cash elements are recognised at monetary value, with property and other assets, including investments, valued at probate or estimated market value. Values are reviewed and adjusted at the accounting date as required. Donations in kind are valued at the value in use of the assets to the institution.

Accounting policy change – legacies

Previously, pecuniary legacies were recognised as those notified by 31 December and residuary legacies were recognised as all those received up to 31 January following the year end. During the year we reviewed our accounting policy in the light of emerging best practice and improved information on legacy notifications. As a result, we changed our accounting policy to include legacy income on a receivable basis from the date of probate, where sufficient information has been received. The net effect is to recognise income earlier than previously. The effect of this change on the accounts is to decrease legacy income by £0.8M (2009: £0.1M) and to increase debtors and reserves by £14.6M (2009: £15.4M).

Dunbar D class inshore lifeboat
Jimmy Miff with two crew
onboard heading through a
breaking wave



RNLI notes to the accounts (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

f) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Support costs representing expenditure on training, estates and administration, financial management, human resources administration and information systems and infrastructure have been allocated to rescue, prevention, operational maintenance, innovation, governance and the cost of generating voluntary income on the basis of cost. Governance costs are those costs associated with the governance arrangements rather than the day-to-day management of the charity.

g) Reserves policy

The RNLI's reserves fall into the following categories:

Endowment reserves are capital sums, which are donated under the restrictions that they are invested and that only the income arising is available for expenditure in accordance with the donors' directions.

Restricted reserves are reserves that are only available for expenditure in accordance with the donors' directions. Where those reserves have been expended on fixed assets, the reserves financing the book value of those assets will continue to be accounted as restricted reserves, reflecting the source of funds and the RNLI's continued obligations in respect of the use of those assets. Other than fixed assets there are over 700 of these reserves, all represented by investments, which are restricted to expenditure on particular items of equipment and on particular types of service such as crew training or at particular stations.

Designated reserves are set aside at the discretion of the Trustees and comprise:

- **Fixed assets**, which finances the fixed assets of the RNLI funded other than by restricted donations.
- **Planned capital expenditure**, which sets aside funds to assure suppliers that the RNLI can meet its planned capital expenditure. This is expenditure to which the RNLI is committed over the next 3 years in order to maintain the operation of the lifeboat and lifeguard service, principally new lifeboats and lifeboat stations. The total amount set aside excludes projects to be funded by restricted reserves.

All the above reserves are Committed reserves.

Free reserves are retained to enable the Trustees to provide assurance to those at sea, the public and the governments of the UK and RoI, that the RNLI will be able to sustain its commitment to provide the lifeboat and lifeguard service. The reserves are

set at a level to withstand any short-term setback, whether operational, in the investment markets or in key sources of income, such as legacies. If free reserves fall outside the range of 6–18 months' charitable expenditure cover, the Trustees will review the Strategic Plan and make changes, as they consider appropriate. For the purposes of this calculation, free reserves are calculated excluding FRS17 pension reserves.

Accrued legacy reserves represent the legacy value accrued on an estimated basis once probate has been granted and notification has been received, where the amount can be quantified with reasonable accuracy. It has been disclosed separately this year to show the effect of the change in accounting policy on the free reserves.

FRS17 pension reserves represent the FRS17 accounting deficit for the defined benefit pension scheme and dependants' pensions as at the year end. The FRS17 basis is a prescribed accounting basis that requires the discount rate to be the return on AA-rated (or equivalent) corporate bonds. Each year, the Scheme Actuary assesses the financial position of the scheme, allowing for the returns expected to be generated by the assets planned to be held by the scheme in the future. These assets would not typically consist of 100% in corporate bonds. Further details are shown in note 14.

Transfers between reserves represent the application of restricted and designated funds to capital projects and transfers to maintain the committed value of restricted funds.

h) Operating leases

Rentals applicable to operating leases are charged to the SoFA over the period in which the cost is incurred.

i) Investments

Listed investments are stated at market value. Realised gains and losses on sales of investments are calculated as the difference between the sale proceeds and original cost. Unrealised gains and losses represent the movement in market values.

j) Stocks

Stocks are valued at cost or written-down value. Stocks are reviewed on a line-item basis at least annually and provision is made against cost to reduce carrying value to estimated realisable value.

k) Exchange gains

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets are translated at the rate of exchange ruling at the balance sheet date. Gains and losses on exchange are included in the SoFA under investment income.

2 SUBSIDIARY COMPANIES

The RNLI has three directly, wholly owned subsidiaries, RNLI (Trading) Limited, RNLI (Enterprises) Limited and RNLI (Sales) Limited, all of which are registered in England and Wales.

RNLI (Trading) Limited has a wholly owned subsidiary, SAR Composites Limited, that carries out hull construction.

The activities of RNLI (Trading) Limited relate directly to the charitable activities of the RNLI. The other two companies are used for non-charitable activities to raise funds for the charity. RNLI (Enterprises) Limited raises funds through lotteries and other trading activities, including income from third-party use of the Lifeboat College. RNLI (Sales) Limited sells gifts and souvenirs through the RNLI's network of station branches, fundraising branches and guilds and operates a mail order and web-based catalogue.

The internal supplies of RNLI (Trading) Limited represent supplies of lifeboats, lifeboat maintenance and lifeboat stations to the RNLI. At 31 December 2010 this company owned fixed assets with a net book value of £5.1M (2009: £5.3M), and stock

and other current assets of £16.3M (2009: £16.0M). It has external and parent charity liabilities of £5.2M (2009: £5.5M) and £15.2M (2009: £14.9M) respectively. In total it has net assets of £1.0M (2009: £1.0M). The assets and liabilities of the other subsidiary companies are not material.

In addition, RNLI Heritage Trust Limited, which is a subsidiary charity of the RNLI, educates the public and promotes the work of the RNLI through historical archive collections. The operating costs of RNLI Heritage Trust Limited were £0.3M (2009: £0.3M) for the year.

The unconsolidated balance sheet of the RNLI, excluding the three subsidiary companies, has net assets, after pension liabilities, of £550.0M (2009: £525.4M). Where applicable the notes to the accounts explain the difference in assets and liabilities. Summaries of the results for all subsidiary companies are shown opposite. The RNLI's subsidiaries are all consolidated in these accounts and there is, therefore, no requirement to report related-party transactions under FRS8.

Torbay and Teignmouth's crews working together



RNLI notes to the accounts (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

2 SUBSIDIARY COMPANIES (CONTINUED)

	RNLI (Enterprises) Limited		RNLI (Sales) Limited	
	2010 £M	2009 £M	2010 £M	2009 £M
Merchandising and other trading	5.9	5.8	8.4	8.0
Internal supplies	-	-	0.3	0.2
Cost of sales	-	-	(6.2)	(5.0)
Gross profit	5.9	5.8	2.5	3.2
Operating costs	(2.0)	(1.9)	(1.0)	(1.2)
Operating profit	3.9	3.9	1.5	2.0
Net profit	3.9	3.9	1.5	2.0
Amount of covenant or Gift Aid to the RNLI	(3.9)	(3.9)	(1.5)	(2.0)
Retained in subsidiary	-	-	-	-

Donations to the RNLI generated through the activities of RNLI (Enterprises) Limited and RNLI (Sales) Limited amounted to £1.8M in 2010 (2009: £1.7M).

	RNLI (Trading) Limited		SAR Composites Limited	
	2010 £M	2009 £M	2010 £M	2009 £M
Internal supplies	87.3	90.3	3.7	2.4
New lifeboats	(14.4)	(14.2)	(2.6)	(1.9)
Lifeboat maintenance	(48.5)	(48.6)	-	-
New lifeboat stations	(18.3)	(21.3)	-	-
Gross profit	6.1	6.2	1.1	0.5
Operating costs	(4.6)	(4.0)	(0.3)	(0.2)
Operating profit	1.5	2.2	0.8	0.3
Net profit	1.5	2.2	0.8	0.3
Amount of covenant or Gift Aid to the RNLI	(1.5)	(2.2)	(0.8)	(0.3)
Retained in subsidiary	-	-	-	-



Barra's Lifeboat Mechanic on service during the Round Britain and Ireland Yacht Race 2010

3 STAFF COSTS

The RNLI relies heavily on the work of volunteers both to crew the lifeboats and to operate the large network of station branches, fundraising branches and guilds.

Our volunteers are supported by full and part time staff whose costs are as follows:

	2010 £M	2009 £M
Wages and salaries	44.9	43.0
Social security costs	4.0	3.7
Pension costs	7.2	6.6
	56.1	53.3
Severance pay	0.7	0.3

Total staff costs include £1.3M (2009: £0.9M) relating to the first full year of SAR Composites Limited and an additional £0.6M (2009: £1.6M) resulting from 2010 RNLI lifeguarding expansion.

The following number of employees received emoluments in excess of £60,000:

	2010 Number	2009 Number
£60,000–£69,999	20	15
£70,000–£79,999	14	13
£80,000–£89,999	3	2
£90,000–£99,999	1	2
£100,000–£109,999	1	3
£110,000–£119,999	2	2
£120,000–£129,999	2	2
£130,000–£139,999	1	1
	44	40

Eight (2009: four) employees, who received emoluments in excess of £60,000, are members of the defined contribution scheme and received employer contributions of £88,714 (2009: £43,146) in total. The remaining 36 (2009: 36) employees are members of the defined benefit pension scheme.

The average number of employees, calculated on a full-time equivalent (FTE) basis, analysed by function was:

	2010 Number	2009 Number
Rescue	625	582
Prevention	31	30
Operational maintenance and construction	476	464
Innovation	40	38
Support and governance	206	207
Generation of voluntary income	208	200
Merchandising and other trading	23	23
	1,609	1,544

The RNLI employs seasonal staff in the form of lifeguards and face-to-face fundraisers. Lifeguards are recruited and deployed on beaches when required and have been included above in Rescue as FTE of 281 (2009: 245). The peak number of lifeguards employed during the Summer months was 664 (2009: 626).

Face-to-face fundraisers are also recruited and deployed on beaches during the Summer months and have been included in generation of voluntary income as FTE of 14 (2009: 10). Included with Operational maintenance and construction are FTE of 40 employees (2009: 33) of SAR Composites Ltd. The total number of FTE staff, excluding seasonal staff, was 1,314 (2009: 1,289).

RNLI notes to the accounts (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

4 TRUSTEE, COUNCIL AND COMMITTEE COSTS

No Trustees received remuneration. Travelling expenses are reimbursed, if claimed, to Trustees and members of advisory committees, the Audit and Risk Committee and the Council. In total, £9,328 (2009: £12,738) was reimbursed to 5 Trustees, 19 Council members and members of advisory committees and the Audit and Risk Committee (2009: 5 Trustees, 27 Council members and members of advisory committees and the Audit and Risk Committee).

5 TOTAL RESOURCES EXPENDED

	Staff costs £M	Depreciation/ amortisation £M	Other direct costs £M	Other allocated costs £M	Total 2010 £M	Total 2009 £M
Cost of generating voluntary income	7.4	0.6	11.8	3.2	23.0	23.6
Merchandising and other trading expenditure	0.8	0.1	7.8	-	8.7	7.4
Investment fees	-	-	1.2	-	1.2	1.3
Rescue	21.0	17.6	16.7	8.9	64.2	63.8
Prevention	1.4	0.1	2.0	0.5	4.0	4.6
Operational maintenance	16.9	2.1	23.7	6.9	49.6	50.6
Innovation	1.7	0.1	1.6	0.6	4.0	4.4
International	-	-	0.1	-	0.1	0.1
Governance	0.1	-	0.3	0.1	0.5	0.6
Support	6.8	-	13.4	(20.2)	-	-
	56.1	20.6	78.6	-	155.3	156.4

Support department activities are allocated as follows:

	Training administration and the Lifeboat College £M	Estates and general administration £M	Finance £M	Human Resources £M	Information Systems £M	Total 2010 £M	Total 2009 £M
Cost of generating voluntary income	0.6	0.8	0.3	0.4	1.1	3.2	3.5
Rescue	1.7	2.1	0.8	1.1	3.2	8.9	9.4
Prevention	0.1	0.2	0.1	0.1	-	0.5	0.7
Operational maintenance	1.3	1.7	0.6	0.9	2.4	6.9	7.5
Innovation	0.1	0.1	0.1	0.1	0.2	0.6	0.7
Governance	-	-	-	-	0.1	0.1	0.1
Total	3.8	4.9	1.9	2.6	7.0	20.2	21.9

Support department activities are allocated based on cost.

Included within these costs are audit fees £71,200 (2009: £70,025), tax fees payable to the auditors £10,465 (2009: £11,040) and operating lease rentals £1,016,316 (2009: £1,154,191).

Included within Governance costs are the costs of audit (both internal and external), the AGM, and Committee costs.

6 FIXED ASSETS

a) Tangible assets

	Lifeboats and lifeboat stations under construction £M	Lifeboats £M	Lifeboat stations and shoreworks £M	Launching equipment £M	Depots, offices and training facilities £M	Computer equipment, plant and vehicles £M	Total £M
Cost							
At 1 January 2010	27.7	222.5	153.0	19.8	83.6	49.4	556.0
Additions	31.5	-	-	-	1.8	4.2	37.5
Transfers	(35.1)	13.8	20.1	1.2	-	-	-
Disposals	-	(4.1)	(1.4)	(0.1)	-	(0.9)	(6.5)
At 31 December 2010	24.1	232.2	171.7	20.9	85.4	52.7	587.0
Depreciation							
At 1 January 2010	-	150.6	35.9	14.7	10.9	38.6	250.7
Charge for the year	-	10.6	4.3	0.8	1.5	3.3	20.5
Disposals	-	(4.0)	(0.6)	(0.1)	-	(0.8)	(5.5)
At 31 December 2010	-	157.2	39.6	15.4	12.4	41.1	265.7
Net book amount							
At 31 December 2010	24.1	75.0	132.1	5.5	73.0	11.6	321.3
At 31 December 2009	27.7	71.9	117.1	5.1	72.7	10.8	305.3

The net book amounts include the following property:

	Freehold £M	Leasehold £M	Total £M
Lifeboat stations and shoreworks	44.3	87.8	132.1
Depots, offices and training facilities	63.7	9.3	73.0
	108.0	97.1	205.1

Shore crew at Dungeness recover the Mersey class lifeboat *Pride and Spirit*



RNLI notes to the accounts (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

6 FIXED ASSETS (CONTINUED)

b) Intangible assets

	Goodwill £M	Intellectual property £M	Total £M
Cost			
At 1 January 2010	1.7	0.1	1.8
At 31 December 2010	1.7	0.1	1.8
Amortisation			
At 1 January 2010	0.1	0.1	0.2
Charge for the year	0.1	-	0.1
At 31 December 2010	0.2	0.1	0.3
Net book amount			
At 31 December 2010	1.5	-	1.5
At 31 December 2009	1.6	-	1.6

The accounting goodwill forms part of the purchase cost by SAR Composites Limited, a fully owned subsidiary of RNLI (Trading) Limited, of the lifeboat hull construction capabilities of Green Marine Limited in 2009. Green Marine Limited was the only company operating in this field in the UK, and was purchased to ensure continuity of hull production for all-weather lifeboats through an established operation and to retain staff expertise in this specialist field.

c) Subsidiary company assets

The consolidated schedule of fixed assets includes assets owned by the subsidiary companies with the following net book amounts:

	2010 £M	2009 £M
Goodwill	1.5	1.6
Depots, offices and training facilities	2.1	2.1
Computer equipment, plant and vehicles	4.1	4.2
	7.7	7.9

Mallaig Severn class lifeboat
Henry Alston Hewat on service



7 INVESTMENTS

	Free and designated reserves £M	Restricted reserves £M	Endowment reserves £M	Total 2010 £M	Total 2009 £M
a) Investment assets					
Equities	47.4	-	0.1	47.5	78.1
Absolute return funds	89.0	13.0	9.5	111.5	78.1
Fixed interest	-	63.4	-	63.4	63.8
Property unit trusts	12.3	-	0.5	12.8	8.4
Deposits and cash	0.7	-	-	0.7	1.6
Market value at 31 December 2010	149.4	76.4	10.1	235.9	230.0
b) Analysis of movement					
Market value at 1 January	153.3	67.5	9.2	230.0	220.9
Additions	191.2	21.4	17.8	230.4	367.0
Disposals	(207.5)	(16.7)	(17.8)	(242.0)	(387.6)
Net realised gains/(losses)	14.4	2.9	(0.3)	17.0	(25.8)
Net unrealised gains/(losses)	(2.0)	1.3	1.2	0.5	55.5
Market value at 31 December 2010	149.4	76.4	10.1	235.9	230.0
Original cost	127.6	64.5	9.4	201.5	201.5
c) Investment income					
Equities	1.4	0.3	-	1.7	2.7
Absolute return funds	0.9	-	-	0.9	0.3
Fixed interest	-	1.5	-	1.5	2.4
Property unit trusts	0.4	-	-	0.4	0.5
Deposits and cash	0.1	-	-	0.1	0.2
Foreign exchange losses	(0.1)	-	-	(0.1)	-
Total	2.7	1.8	-	4.5	6.1

At the end of December 2010, overseas investments amounted to £49.3M (2009: £54.0M).

The RNLI holds 100% of the share capital of RNLI (Sales) Limited amounting to £0.5M.

The RNLI held no derivative instruments as at 31 December 2010 (2009: none).

8 STOCKS

	Total 2010 £M	Total 2009 £M
Operational stock	12.2	11.4
Gifts and souvenirs	1.3	1.0
Total	13.5	12.4

RNLI notes to the accounts (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

9 DEBTORS

	Total 2010 £M	Total (Restated) 2009 £M
Legacies receivable	21.1	23.7
Trade and other debtors	0.2	0.4
Income tax and VAT recoverable	1.9	1.6
Other debtors	1.6	1.5
Prepayments and accrued income	0.9	1.2
	25.7	28.4

The impact on legacies receivable of the change in accounting policy (Note 1e) was an increase of £14.6M in 2010 (2009: £15.4M).

A proportion of accrued legacy income may be received after more than 1 year, but this figure has not been calculated due to the inherent uncertainty in the timing of legacy income receipt.

10 CREDITORS

	Total 2010 £M	Total 2009 £M
Amounts falling due within 1 year		
Trade creditors	6.6	10.0
PAYE taxes and social security	1.0	1.0
Pension creditor	0.8	0.8
Dependants' pensions	0.3	0.3
Other creditors including VAT	0.1	0.2
Finance leases	0.1	0.1
Accruals and deferred income	3.2	4.4
	12.1	16.8
Amounts falling due after more than 1 year		
Finance leases	0.1	0.2
VAT liability on non-business use of buildings	0.6	0.9
	0.7	1.1
Pension liabilities		
Dependants' pensions	5.3	5.3
Defined benefit pension liability	38.1	40.3
	43.4	45.6

An amount, disclosed above as Dependants' pensions, of £5.6M (2009: £5.6M), of which £5.3M (2009: £5.3M) falls due after more than 1 year, has been provided to meet future payments to dependants of former crew members who have lost their lives on lifeboat service. These amounts have been calculated by an actuarial valuation at 31 December 2010. Further details are shown in note 14.

An amount of £0.7M (2009: £1.1M), of which £0.6M (2009: £0.9M) falls due after more than 1 year, has been provided for VAT repayable resulting from the non-business use of certain buildings.





11 LOANS TO SUBSIDIARY COMPANIES

	Total 2010 £M	Total 2009 £M
Debenture to RNLI (Trading) Limited	0.5	0.6
Debenture to RNLI (Sales) Limited	0.2	0.2
Total	0.7	0.8
Working capital advance to RNLI (Trading) Limited	18.0	14.3

The debenture to RNLI (Trading) Limited is redeemable and secured by a floating charge on the property of RNLI (Trading) Limited and earns interest at HSBC plc Base Rate. The capital is repayable in annual instalments of £100,000.

The debenture to RNLI (Sales) Limited is convertible and secured by a floating charge over the assets of the company and earns interest at HSBC plc Base Rate. The capital is repayable in annual instalments of £33,750.

12 CAPITAL COMMITMENTS

At 31 December 2010, capital commitments amounted to £24.0M (2009: £33.0M). Planned capital expenditure, largely on new lifeboats and shoreworks over the next 3 years, amounted to £113.4M (2009: £113.1M), of which £35.4M (2009: £32.2M) is represented by restricted funds and £78.0M (2009: £80.9M) is held in planned capital expenditure reserves.

13 OPERATING LEASE COMMITMENTS

Land and buildings		Other	
Total 2010 £M	Total 2009 £M	Total 2010 £M	Total 2009 £M

At 31 December 2010 the institution had the following annual commitments under operating leases:

Operating leases that expire:

Within 1 year	0.1	0.2	0.1	0.2
In 2 to 5 years	0.3	0.2	0.1	0.2
After more than 5 years	0.4	0.3	-	-
	0.8	0.7	0.2	0.4

14 PENSION SCHEMES

The RNLI operates a defined benefit pension scheme for the majority of its employees, which was closed to new entrants from 1 January 2007. These accounts reflect the requirements of Financial Reporting Standard FRS17 – 'Retirement Benefits' ('FRS17'). The disclosures required by FRS17 cover both the pension scheme and the payments to certain dependants detailed in note 10. The figures in this note have been calculated by a qualified independent actuary based on a full actuarial valuation of the pension scheme as at 31 December 2009, rolled forward to 31 December 2010, using summarised cash flow and membership details and a full actuarial valuation of the dependants' pensions as at 31 December 2010 on the basis required by FRS17.

On this basis, the FRS17 accounting deficit for the defined benefit pension scheme as at 31 December 2010 was £38.1M (2009: £40.3M) and £5.6M (2009: £5.6M) for the dependants' pensions. The FRS17 basis is a prescribed basis that requires the discount rate to be the rate of return on AA-rated (or equivalent) corporate bonds. Each year, the Scheme Actuary assesses the financial position of the scheme for the formal actuarial valuation, allowing for the returns expected to be generated by the assets planned to be held by the scheme in the future. These assets would not typically consist of 100% in corporate bonds.

RNLI notes to the accounts (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

14 PENSION SCHEMES (CONTINUED)

The defined benefit pension scheme's latest formal actuarial valuation under the Pensions Act 2004 was carried out by the Scheme Actuary as at 31 December 2009. Changes in investment conditions over 2010 are not expected to have a material adverse impact on the scheme's funding requirements as at 31 December 2010. However, the position will be reviewed as part of the formal assessment carried out by the Scheme Actuary as at the 31 December 2010 valuation date.

Since 1 January 2010 the RNLI has been paying contributions of 35.4% of salaries (2009: 35.4%) and 21.1% (2009: 21.1%) in respect of operational lifeboat crew and other members respectively. In addition the RNLI paid additional deficit reduction contributions of £4.0M in 2010 (2009: £4.0M).

The main financial assumptions used as at 31 December 2010 and the corresponding assumptions at 31 December 2009 and 31 December 2008 were:

	31/12/2010 % pa	31/12/2009 % pa	31/12/2008 % pa
Discount rate	5.4	5.7	6.5
Rate of increase in salaries	4.4	4.5	3.7
Rate of increase in pensions in payment*	3.6	3.7	3.0
Rate of revaluation on deferred pensions	3.6	3.7	3.0
Rate of retail price inflation	3.6	3.7	3.0

Assumes life expectancy on retirement age 65 of:	Years	Years	Years
Retiring today – males	19.5	19.1	18.6
Retiring today – females	24.1	23.4	22.8
Retiring in 15 years – males	21.1	20.2	19.9
Retiring in 15 years – females	25.5	24.2	23.8

* in excess of the Guaranteed Minimum Pension (GMP) element

The assets in the pension scheme and the expected rates of return at 31 December 2010 and the corresponding amounts and assumptions at 31 December 2009 and 31 December 2008 were:

	31/12/2010		31/12/2009		31/12/2008	
	Expected rate of return	Market value of assets	Expected rate of return	Market value of assets	Expected rate of return	Market value of assets
	% pa	£M	% pa	£M	% pa	£M
Equities	7.8	78.2	7.8	101.9	7.9	78.1
Fixed interest	4.8	68.6	5.0	58.7	4.1	43.4
Property	6.4	14.3	6.4	4.8	6.3	5.4
Diversified growth investments	6.6	19.4	-	-	7.3	16.8
Currency management	4.4	9.6	-	-	-	-
Cash and net current assets	4.4	13.6	4.4	11.9	3.8	4.9
Total	6.6	203.7	6.6	177.3	6.5	148.6

The overall future expected rate of return on assets for 2011 is calculated based on the weighted expected return on the actual assets held as at 31 December 2010.

14 PENSION SCHEMES (CONTINUED)

a) The following amounts were measured in accordance with the requirements of FRS17:

	2010			2009		
	Pension scheme £M	Dependants' pensions £M	Total £M	Pension scheme £M	Dependants' pensions £M	Total £M
Total market value of assets	203.7	-	203.7	177.3	-	177.3
Present value of liabilities	(241.8)	(5.6)	(247.4)	(217.6)	(5.6)	(223.2)
Net pension liability	(38.1)	(5.6)	(43.7)	(40.3)	(5.6)	(45.9)

b) Changes in the present value of the defined benefit obligation are as follows:

	2010			2009		
	Pension scheme £M	Dependants' pensions £M	Total £M	Pension scheme £M	Dependants' pensions £M	Total £M
Opening defined benefit obligation	217.6	5.6	223.2	151.3	4.7	156.0
Service cost	7.0	-	7.0	5.5	-	5.5
Interest cost	12.2	0.3	12.5	9.6	0.3	9.9
Employee contributions	2.0	-	2.0	2.0	-	2.0
Actuarial losses	10.1	-	10.1	55.4	0.9	56.3
Benefits paid	(7.1)	(0.3)	(7.4)	(6.2)	(0.3)	(6.5)
Defined benefit obligation at the year end	241.8	5.6	247.4	217.6	5.6	223.2

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

	2010			2009		
	Pension scheme £M	Dependants' pensions £M	Total £M	Pension scheme £M	Dependants' pensions £M	Total £M
Opening fair value of scheme assets	177.3	-	177.3	148.6	-	148.6
Expected return	11.8	-	11.8	9.8	-	9.8
Actuarial gains	9.6	-	9.6	13.1	-	13.1
Employer contributions	10.1	-	10.1	10.0	-	10.0
Employee contributions	2.0	-	2.0	2.0	-	2.0
Benefits paid	(7.1)	-	(7.1)	(6.2)	-	(6.2)
Fair value of scheme assets at the year end	203.7	-	203.7	177.3	-	177.3

The actual return on scheme assets was £21.4M (2009: £22.9M).

RNLI notes to the accounts (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

d) The amounts included within the Statement of Financial Activities are as follows:

	2010			2009		
	Pension scheme £M	Dependants' pensions £M	Total £M	Pension scheme £M	Dependants' pensions £M	Total £M
Current service cost	7.0	-	7.0	5.5	-	5.5
Past service cost	-	-	-	-	-	-
Expected return on scheme assets	(11.8)	-	(11.8)	(9.8)	-	(9.8)
Interest on pension	12.2	0.3	12.5	9.6	0.3	9.9
Total amount charged within net incoming/ (outgoing) resources	7.4	0.3	7.7	5.3	0.3	5.6
Actuarial losses	0.5	-	0.5	42.3	0.9	43.2
Total amount charged to the Statement of Financial Activities	7.9	0.3	8.2	47.6	1.2	48.8

Contributions in 2010 were £12.1M (2009: £12.0M) and a further £12.1M is expected to be contributed to the defined benefit scheme in the 2011 financial year. The cumulative actuarial loss recognised via the SoFA at the end of December 2010 is £67.6M (2009: £67.1M).

e) A history of gains and losses experienced in the pension scheme and in relation to the dependants' pensions is:

	2010		2009		2008		2007		2006	
	Amount £M	% of assets	Amount £M	% of assets	Amount £M	% of assets	Amount £M	% of assets	Amount £M	% of assets
Total market value of assets	203.7		177.3		148.6		175.0		164.5	
Present value of liabilities	(247.4)		(223.2)		(156.0)		(185.1)		(180.5)	
Net pension liability	(43.7)		(45.9)		(7.4)		(10.1)		(16.0)	
(Gains)/losses experienced on assets	(9.6)	(4.7)	(13.1)	(7.4)	44.4	29.9	7.6	4.3	(5.5)	(3.3)
(Gains)/losses experienced on liabilities	0.3	0.1	8.2	3.7	(1.6)	1.0	(3.6)	(1.9)	(0.4)	(0.2)
(Gains)/losses on liabilities on change of assumptions	9.8	4.0	48.1	21.6	(41.4)	(26.5)	(5.5)	(3.0)	(0.6)	(0.3)

No (gains)/losses experienced on assets or liabilities relate to dependants' pensions (2009: assets (nil); liabilities £(0.9)M, (16.1)%).

f) The defined contribution pension scheme

The defined benefit pension scheme was closed to new entrants from 1 January 2007, and a defined contribution pension scheme was established for new staff joining after that date. The RNLI paid contributions of £1.0M (2009: £0.8M) in respect of members of the defined contribution pension scheme.

15 VALUE ADDED TAX

Included in the accounts is a cost of £1.8M (2009: £1.9M) in respect of irrecoverable VAT incurred in 2010 on both revenue and capital expenditure.

16 CONNECTED CHARITY

The RNLI's Trustees are also Trustees of the Royal National Lifeboat Institution Lifeboatmen's Benevolent Fund. The principal activities of the Fund, which as of 31 December 2010 has net assets of £1.0M (2009: £0.9M), are to make grants to relieve distress among past or present members of crews of lifeboats, their families, relatives and dependants. Copies of the Fund's accounts can be obtained from the registered office of the RNLI.

Kilmore Quay Tamar class
lifeboat *Killarney* on passage
in a rough sea



RNLI officers and contacts

AS AT 6 APRIL 2011

Patron

HM The Queen

President

HRH The Duke of Kent KG

Trustee Committee

Admiral the Lord Boyce GCB OBE DL
(Chairman)

Robert Colvill

John Coyle MEdSc

Sir Andrew Cubie CBE FRSE

Charles Hunter-Pease

Ronald Neil CBE

Sir Alan Reid KCVO

Rear Admiral John Tolhurst CB FRAeS

Sir Roger Vickers KCVO

Malcolm Vincent MSc CEng FIMarEST

Vicky Wright BSc MSc CCIPD

Chairman

Admiral the Lord Boyce GCB OBE DL

Deputy Chairmen

Sir Andrew Cubie CBE FRSE

Ronald Neil CBE

Treasurer

Robert Colvill

Chairmen Emeriti

David Acland CBE DL

Peter Nicholson CBE

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David Acland CBE DL

Dr Wilson Adam LRCP LRCS LDS HDD

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Sir John Batten KCVO MD FRCP

Robert Braithwaite CBE

Roger Bridgeman

Iain R Bryce TD DL FCA

Captain Roy Bullen MBE

Most Rev The Rt Hon Dr George L Carey PC

R Angus Clark CBE

George Clark

Wallace Clark MBE DL

Surgeon Rear Admiral Ian Colley OBE

Vice Admiral Sir John Coward KCB DSO

Sir Andrew Cubie CBE FRSE

Dr Ronald Delany LLB

Rear Admiral Roger Dimmock CB

Tony Dorey OBE BSc CEng FRINA

The Hon Mrs Henry Douglas-Home

Maldwin Drummond OBE DL HonDSc FSA

Wilson Ervin CBE

Roly Franks OBE

Eric M Freeman FICS

Dr Norman Godman

Surgeon Rear Admiral Frank Golden OBE PhD

Gilbert Gray QC

Air Chief Marshal Sir Michael Graydon

GCB CBE FRAeS

Helen Griffiths

Dr Bill Guild OBE BSc PhD

John C Harrison MBE FCA

Commodore Sir Robert Hastie KCVO CBE KStJ

RD* JP RNR

Robert Hollond

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