

# Greenwich Hospital and Travers Foundation Accounts 2011-2012



# Greenwich Hospital and Travers Foundation Accounts 2011-2012

Presented to Parliament pursuant to section 49 of the Greenwich Hospital Act 1865 and section 21 of the Armed Forces Act 1976

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# Greenwich Hospital

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# Greenwich Hospital

## Administrative information

**Patron:** HRH The Duke of York, KG  
**Sole trustee:** Secretary of State for Defence  
**Director and Accounting officer:** Martin Sands  
**Principal Address:** 3 Creed Court  
5 Ludgate Hill  
London EC4M 7AA  
**Website:** www.grenhosp.org.uk

### Advisory Board and Panel

At 31 March 2012 the members of the Advisory Board and Panel were:

Vice-Admiral Sir Charles Montgomery KBE CBE ADC	Chairman (ex-officio) Advisory Board
Mr S Routh	Chairman (ex-officio) Advisory Panel
Mr M Sands	Director Greenwich Hospital
Mr V Bazalgette	Investment member Advisory Board and Panel
Mr R Hunting CBE	Business member Advisory Board
Mr H Twiss MBE *	Investment member Advisory Board
Mr P Clarke CVO *	Property member Advisory Board and Panel
Ms J Dixon **	Finance member Advisory Board and Panel

\* Appointment expires, with effect from July 2012

\*\* Member resigned, with effect from July 2012

### Auditor

The Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London SW1W 9SP

### Reporting Accountants

Larking Gowen Limited  
Unit 1 Claydon Business park  
Great Blakenham  
Ipswich IP6 0NL

Jones Avens  
Piper House 4 Dukes Court  
Bognor Road  
Chichester PO19 8FX

### Solicitors

Winckworth Sherwood  
Minerva House  
5 Montague Close  
London SE1 9BB

### Bankers

Government Banking Service  
Room F1 West Wing  
Somerset House  
London WC2R 1LB

HSBC Bank plc  
2nd Floor West End Commercial Centre  
16 King Street  
London WC2E 8JF

Cater Allen Private Bank  
9 Nelson Street  
Bradford  
BD1 5AN

### Investment Managers

Newton Investment Management Limited  
Mellon Financial Centre  
160 Queen Victoria Street  
London EC4V 4LA

### Property Managers

BNP Paribas Real Estate UK  
5 Aldermanbury Square  
London EC2V 7BP

Smiths Gore  
Eastfield House  
Main Street  
Corbridge NE45 5LD

Strutt & Parker LLP  
11 Museum Street  
Ipswich IP1 1HH

Hunters Property Investment Ltd  
21 Woodstock Street  
Mayfair  
London W1C 2AP

Drivers Jonas Deloitte  
Athene Place  
66 Shoe Lane  
London EC4A 3BQ

Schroder Property Management Limited  
31 Gresham Street  
London EC2V 7QA

### Sheltered Housing Managers

CESSAC  
1 Shakespare Terrace  
126 High Street  
Portsmouth PO1 2RH

# Greenwich Hospital

## Annual report - Greenwich Hospital and Travers Foundation

### Introduction

Greenwich Hospital was established by Royal Charter in 1694 as a home for retired seamen and to provide support for their widows and education for their children. To support its charitable objectives the Hospital seeks to maximise the return on investments and to provide the funds to meet the commitment to pay annuities and grants; to devote funds to the education of seafarers' children, especially through awarding bursaries at the Royal Hospital School, which is owned and operated by Greenwich Hospital; to sustain provision of sheltered housing for elderly seafarers and their spouses in Greenwich, Portsmouth and Plymouth; and to make donations to other naval charities.

The Travers Foundation was created by Act of Parliament in 1892 for the payment of pensions to retired Lieutenants of the Royal Navy. In accordance with Section 21 of the Armed Forces Act 1976, the Foundation's Accounts are shown separately, although no pensions are currently paid. Surplus income from the Foundation can be applied for the general purposes of Greenwich Hospital.

### Our aims and objectives

The Hospital's charitable aims are still those set out in its original charter of 1694 which are as follows:

*"The relieve and support of seamen serving onboard the ships or vessels belonging to the Navy Royall who by reason of Age, Wounds or other disabilities shall be incapable of further service at sea and being unable to maintain themselves.*

*And for the sustenation of the widows and the Maintenance and Education of the Children of seamen happening to be slain or disabled.*

*Also for the further relieve and Encouragement of seamen and Improvement of Navigation"*

The Hospital fulfils these aims through the support given to its beneficiaries who are today the serving and retired members of the Naval Service, their spouses, widows, widowers and children. At the Royal Hospital School, support is also given to the grandchildren of retired members of the Royal Navy and the children and grandchildren of the Merchant Navy.

### Public benefit statement

The Hospital delivers public benefit in accordance with its Royal Charter through the provision of pensions, grants and care for seafarers in need by reason of age, disability or financial hardship; provision of education and training, and recreational facilities and amenities. The beneficiaries include serving and retired members of the Naval Service, their widows or widowers, their children and, in the case of the Royal Hospital School, also their grandchildren and the children and grandchildren of the UK Merchant Navy.

The Hospital has taken account of the Charity Commission's general guidance on public benefit when reviewing the Hospital's aims and objectives and in planning future activities and setting the grant making policy for the year.

### Social matters

Through the Hospital's charitable objectives it seeks to promote social inclusion over and above the normal equality and diversity issues through the support given to the Royal Naval charities. The Hospital assists seafarers and their dependants to avoid exclusion from society or parts of society as a result of such factors as unemployment, financial hardship, youth or old age, family breakdown, housing, ill health, education and other causes of discrimination or hardship.

### Risk Management

The Hospital views risk management as an active part of the management processes and operates a system of risk identification, assessment, addressing, reviewing and reporting. The Governance Statement on page 7 of the accounts contains further details.

### Employment

Employees are kept well informed of the performance and objectives of the Hospital and are given the opportunity to develop and progress according to their ability. The Hospital values the diversity of its workforce and upholds equal opportunities and has maintained employment policies to ensure that staff or applicants for posts are not discriminated against.

All staff are inducted formally and issued with contracts of employment and information on benefits, welfare and health and safety.

### Volunteers and related parties

There is no volunteer time that requires quantifying within these financial statements. The Governors of the Royal Hospital School and Directors of the Royal Hospital School Enterprises Limited (RHSEL) and members of the Advisory Board and Panel all gave their services voluntarily and received no remuneration for their activities with the Hospital.

# Greenwich Hospital

## Policies

### Reserves policy

The aim of the Hospital is to maintain sufficient reserves to continue to be self-funding in perpetuity. Accordingly the Director and Advisory Board review the level of reserves annually in the light of the Hospital's charitable commitments and any major projects that may be in contemplation.

The Hospital will in the financial year 2012-13, introduce the practice of designating funds for specific purposes so that unexpected gains and windfalls can be set aside to meet additional requests from our charitable partners and capital projects.

Restricted funds represent monies received from parents of pupils at the RHS and by way of gifts and legacies where the use of the funds is limited by specific conditions.

### Investment policy and objectives

The Hospital's portfolios are managed by property agents and investment managers. Discretion has been given to them to manage the portfolios having regard to income and expenditure targets and benchmarks which are set and regularly reviewed by the Advisory Panel. The Hospital's asset allocation is intended to maintain income with a relatively low volatility in capital values.

The Hospital's direct property investments are predominantly commercial, residential and agricultural holdings in Greenwich, Northumberland and Holbrook. Agents are required to maximise rental income and minimise expenditure. Asset management initiatives are encouraged to further this aim.

The objective for quoted investments is: "To generate a sufficient return from the portfolio so as to be able to fund, principally out of income, its charitable outputs and to grow them in future years at least in real terms, whilst at the same time seeking at least real growth in the capital value of the portfolio over the longer term".

The above mentioned investment objective is to be achieved by prudently investing in a broad range of equities and fixed interest securities which are quoted on a recognised investment exchange, in UCITS Funds (a fund that can be marketed in all countries in the European Union) or funds that are authorised or recognised under the Financial Services & Markets Act 2000 or cash. No investments will be made in alternative asset classes, such as Hedge Funds, Private Equity Funds or other investments which are not quoted or authorised as above.

### Grant making policy

The Hospital delivers its charitable outputs in accordance with its Royal Charter for public benefit through dispensing block grants to Naval charities and bursary awards at the Royal Hospital School. The charitable funds are derived from the income from investments and the grants are determined through an assessment of demand, need, priority and affordability. With effect from financial year 2010-11 onwards the majority of its grant aid for Naval benevolence is being made through the Royal Navy and Royal Marines Charity (RNRMC).

The RNRMC was established as a charitable company to rationalise over 60 internal Naval Charities embracing, amenities, sport, prizes, benevolence, death in service grants and progressively to encourage the independent external Naval charities to join the RNRMC to provide a single focus for Naval Charity.

The Hospital will also continue to make direct grants to other naval charities or individuals within its objects where the RNRMC is not an appropriate conduit for such charitable output.

Grants, annuities, bursaries and other charitable donations are considered to be binding obligations when they are notified to recipients following approval of the budget for the next financial year. Whilst the Hospital will use its best endeavours to meet such obligations, no awards are considered to be binding obligations for subsequent years as they will be subject to the availability of income and capital. Grants and bursaries are also means tested and the values may fluctuate from financial year to financial year or within a financial year.

## Relationship with subsidiaries

The Hospital owns 100% of the share capital of Royal Hospital School Enterprises Limited (RHSEL) which carries out commercial trading activities on behalf of the Royal Hospital School (and ultimately Greenwich Hospital). Any profits generated will be gift aided to the Hospital. See note 6 for further details.

## Environmental matters

The Hospital is committed to reducing its impact on the environment by improving the environmental performance of its operations in a continuous and sustainable manner. Typically the HQ staff are encouraged to use public transport both for commuting and the occasions when other travel is required for business reasons. Paper usage and other consumables are husbanded carefully to minimise overheads in addition to addressing the environmental issues. Normal recycling is the responsibility of the Landlord's Agent.

At the Royal Hospital School there is on site provision of teaching staff housing at affordable rates minimising the need for the use of private and public transport, and subsidised coach transport is provided for the collective travel of day pupils. As a major school of some 650-700 pupils recycling is routine practice and pupil and staff awareness of the need for conservation and protection of the environment is promoted. In conjunction with the Woodland Trust the Hospital has supported the establishing of the Trafalgar woods. Likewise in managing our estates environmental awareness and protection is encouraged through our Agents.



# Greenwich Hospital

## Review of achievements and performance - Greenwich Hospital and Travers Foundation

### Overview

I am pleased to report that Greenwich Hospital has again maintained the broader charitable support that it provides and this year has achieved a significant increase in the total support given to Royal Navy charities. The Statement of Financial Activities for the year shows a net surplus of £2,037k (2010-11: £185k). The principal sources of income were rental income on investment property and returns on our financial investments. We were satisfied with the returns achieved by our managing agents and fund manager. The net movement in funds was an increase in the net assets of £8,000k.

The balance of the asset portfolio at the end of March was 66% in property and 34% in quoted investments.

### Objectives

The Hospital's objectives for the financial year 2011-2012 were:

High level objectives:

- Sustain the charitable objectives and continue to increase resources granted to naval charity year-on-year;
- Review the Hospital's integrated asset allocation strategy;
- Work towards RHS legal independence by 2015 or earlier and financial independence by 2022.

Operational:

- Avoid a deficit at year end and maintain a sustainable balance between inputs and outputs;
- Assess viability for Greenwich Market regeneration to begin no earlier than 2013 and identify funding and procurement options;
- Continue to reduce bursary funding to RHS to the cap of £2.5m p.a. in 2015;
- Identify the financial and capital requirements for a future endowment for RHS independence;
- Achieve Greenwich Hospital HQ office re-location by December 2012;
- Prepare an updated strategic plan for the period 2012 to 2017.

### Financial Review

During the financial year the key achievements for the Hospital were as follows:

Greenwich Hospital has now achieved a surplus for each year end since 2007-08. It should be noted that a creditor balance of £377k for payments to pensioners made in 2005-06 by MOD (see note 17) was written back and the Hospital received ex div income of £522k from Newton with the sale of shares when we moved to a single fund manager in April 2011.

Despite the challenges in the market for the financial year 2011-12, the investment assets of the Hospital increased by 5% to £225m, income levels were largely sustained and we were able to maintain our charitable support and increase resources granted to Naval Charity.

In January 2011 the Hospital obtained a five year planning consent for the regeneration of its core properties in Greenwich Market, the viability for the Greenwich Market regeneration continues to be assessed in the light of the current economic climate.

Bursary funding to the Royal Hospital School reduced from £2,953k in 2011 to £2,683k in 2012. The target set by the Admiralty Board in 2004 to reduce funding to the School to 40% was achieved in 2012 and we will continue to reduce funding to the cap of £2.5m in 2015.

### Royal Hospital School

The long running strategy of the Royal Hospital School to achieve greater financial viability with less reliance on support from Greenwich Hospital is continuing. The School's Senior Management Team and Board of Governors continuously review the School's strategic planning in order to attract more full fee paying pupils. The School's pupil population at the end of the Spring Term 2012 was 698 of which 170 were day pupils and 194 were full-fee paying boarders. 185 pupils were supported by bursaries or discounts and 149 were the children of serving armed forces personnel in receipt of Continuity of Education Allowance. For the academic year 2011-12 the Hospital awarded 19 new bursaries and 6 new discounts.

Bursaries and discounts are awarded to the children and grandchildren of serving and retired Royal Navy, Royal Marines and UK Merchant Navy personnel who have served a minimum of three years. Some other seafaring professions are also eligible for a bursary or discount provided there is sufficient seagoing service.

Bursaries are awarded to eligible pupils based on a mixture of seafaring eligibility, charitable need and performance in the school entrance exams. Discounts are awarded based on seafaring eligibility and academic performance. The Hospital will continue to control the value of bursary funding and discounts each year in order to reduce its overall financial contribution to the School.

It remains the Hospital's policy that the Royal Hospital School should achieve full legal and financial independence by 2022 and the Governors have expressed their willingness to take on legal responsibility for the School in due course. The Governors have provided an assessment of what funding might be required to sustain the infrastructure of the School in the longer term and to provide the basis of an endowment to enable the School to be financially independent of the Hospital.

# Greenwich Hospital

The current Headmaster will be leaving at the end of the Summer Term 2012 and the recruitment process for a new Head is under way. The new Head's objectives will focus on achieving the conditions for future independence by improving the academic standards, marketing and development of the School.

The School will be celebrating its 300th anniversary from September 2012 and is planning a wide range of activities to celebrate the anniversary. A number of these will be used as fundraising opportunities.

The Royal Hospital School Enterprises Limited company generated £190k (2010-11: £120k) for the unrestricted benefit of the School. See note 6 for details.

## Grants and annuities

Grants and annuities of £2,802k (2010-11: £2,401k) were disbursed in 2011-12 of which £2,679k was through the Royal Navy and Royal Marines Charity (RNRMC), Tri-Service and RN/Merchant Navy Charities. Tri-Service and RN/Merchant Navy grants/donations are made on a pro rata basis, i.e. the percentage of beneficiaries who are Royal Navy, Royal Marines or the Queen Alexandra Navy Nursing Service (now integrated in to the RN).

The £2,679k paid through RNRMC, included £936k to fund the 1300 Jellicoe annuities for needy former RN and RM non-commissioned ranks or their widows on behalf of the Royal Naval Benevolent Trust (RNBT).

The Hospital continued to fund legal and professional fees for the rationalising of Naval charities under the umbrella of the RNRMC and the employment costs of the RNRMC's CEO, in accordance with the Admiralty Board's directive; these totalled £109k in 2011-12 (2010-11: £130k).

Other direct grants or donations made by the Hospital were; £100k to the Marine Society and Sea Cadets towards the funding of a new Square Rigger to replace the TS ROYALIST now some 40 years old; £22k to eligible seafaring students attending Greenwich University and £500 to the annual St Paul's Seafarers Service.

These grants and donations reflect the continuing growth in the Hospital's direct support of Naval charity. It is the Hospital's intention to increase this sum year on year, subject to the availability of funds.

## Investments

In the beginning of the financial year the Advisory Panel approved the decision to liquidate the Hospital's holding in the Royal London Asset Management Corporate Bond Fund and pass £16m of the proceeds to Newton to manage under an agreed single manager fund. An appropriate asset allocation framework between relevant asset classes was set to ensure flexibility to manage the portfolio in order to meet the investment objectives.

The main fund has the objective: "To generate a sufficient return from the portfolio so as to be able to fund, principally out of income, its charitable outputs and to grow them in future years at least in real terms, whilst at the same time seeking at least real growth in the capital value of the portfolio over the long term."

Within the Main Fund portfolio with Newton at 31 March 2012, 33% was invested in UK Equities, 41% in Global Equities, 26% in Bonds and 0.2% in cash. The investment performance for the year and against the benchmark indices used for each portfolio was;

	Value	Portfolio	Benchmark
Main Fund (comprised of six funds)	£73,971k	6%	1.5%*
Reade Accumulation Fund	£2,808k	2%	4.1%*

\* A composite benchmark was adopted

## Property

Net income from property has improved significantly this year and at £4,405k (2010-11: £2,805k) is the highest achieved in the past seven years. This is largely the result of lower expenditure in Greenwich on preventative maintenance and refurbishment projects, helped by higher residential rents and a strong performance by Greenwich Market.

The annual valuation of the Hospital's property investments resulted in an overall increase of just over 6% with uplifts on all holdings. The strongest growth was in London with the Pollen Estate (13%) and London Property (8.9%) and growth in the Greenwich Estate (5.6%). Net income at £4,405k over the opening valuation for property investments at £138,530k, gives a annual yield of 3% against 2% in 2010-11.

Once a decision has been made on the regeneration of Greenwich Market, the Hospital will complete a review of its asset allocation across all property categories and quoted investments and consider its wider investment options and strategy.

## Sheltered Housing

Demand for the Hospital's three sheltered housing schemes remains strong, although with some occasional vacancies at Trafalgar Quarters in Greenwich. On a day-to-day basis the schemes continue to break even but make a small annual loss due to depreciation.

# Greenwich Hospital

## Travers Foundation

The Travers Foundation was created by Act of Parliament in 1892 for the payment of pensions to retired Lieutenants of the Royal Navy. In accordance with Section 21 of the Armed Forces Act 1976, the Foundation's Accounts are shown separately, although no pensions are currently paid. Surplus income from the Foundation can be applied for the general purposes of Greenwich Hospital.

A surplus of £51k (2010-11: £38k) was generated from rental income and returns on financial investments. The net movement in funds was an increase in the net assets of £86k. The net income of the Foundation is available to the Hospital.

## Data Security

During 2011-12 there were no incidents reported that have resulted in the unauthorised disclosure of protected personal data.

## Payments to suppliers

The Hospital aims to pay all suppliers within 30 days of receipt of the invoice. The Hospital pays its suppliers on average within 16 days, calculated using the year end figures of amount owed to trade creditors as a proportion of the amount invoiced by suppliers during the year. Suppliers are paid in accordance with their contractual terms unless there is a dispute.

## Future Plans

The Hospital's Objectives for the Financial Year 2012-13 are as follows:

High Level Objectives:

- Sustain the charitable objectives and continue to increase resources granted to naval charity year-on-year;
- Achieve real growth in income and capital over the long term;
- Progress the work on modernising Greenwich Hospital statutes and governance;
- Review the Hospital's overall asset allocation strategy;
- Establish a definitive development plan for Greenwich Estate;
- Progress RHS legal independence by 2015 or earlier and financial independence by 2022;
- Publish an updated strategic plan for the period 2012-17, and the long term outlook to 2022.

Operations:

- Continue to improve existing GH governance procedures;
- Avoid a deficit at the end of FY 2012-'13 and maintain a sustainable balance between inputs and outputs;
- Continue to assess viability for Greenwich Market regeneration and the options available;
- Maintain bursary funding to RHS within the cap of £2.5m to 2015;
- Progress the financial and capital requirements for a future endowment for RHS independence;
- Work with the Governors of the Royal Hospital School to select a new Headmaster;
- Achieve Greenwich Hospital HQ office re-location by December 2012.

In January 2011 the Hospital obtained a five year planning consent for the regeneration of its core properties in Greenwich Market. In view of the size of this project relative to the Hospital's overall investments and the risks involved, we are considering options for funding and delivering the development.

Once a decision is made on the regeneration of Greenwich Market, the Hospital will complete a review of its asset allocation across all property categories and quoted investments and consider its wider investment options and strategy.

The Royal Hospital School will continue to develop its academic standards, fundraising programmes and governance, with a view to achieving best practice in governance in line with other independent HMC schools, and a significant degree of legal and financial independence from Greenwich Hospital by 2015.

## Statement as to Disclosure of Information to Auditors

In so far as the Director is aware there is no relevant audit information of which the Hospital's auditors are unaware and the Director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

# Greenwich Hospital

## Statement of Trustee's and Director's responsibilities

The Secretary of State for Defence is the Trustee of Greenwich Hospital and answerable to Parliament for the affairs of Greenwich Hospital. The Trustee is supported in the exercise of his responsibilities by the Parliamentary Under-Secretary of State for Defence and charges the Admiralty Board with the administration of the Hospital which is overseen by the Director of Greenwich Hospital (DGH). The office of DGH is provided for by the Greenwich Hospital Act 1865 (s.20). DGH is appointed by the Trustee on the advice of the Admiralty Board. DGH is responsible by virtue of a Directive for the proper and effective conduct of the functions of Greenwich Hospital including the regularity and propriety of the Hospital's administration adhering faithfully to the spirit of the Charter and complying with the relevant statutes.

The Director is the accounting officer for Greenwich Hospital and is responsible for preparing the Annual Accounts for Greenwich Hospital and submitting them for audit. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Greenwich Hospital and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

## Governance Statement

### Scope of responsibility

As the Director of Greenwich Hospital and its Accounting Officer, I am responsible to the Secretary of State for Defence (SofS) in his capacity as the sole trustee of Greenwich Hospital for:

- The proper and effective management of Greenwich Hospital and the achievement of its charitable objectives;
- The regularity and propriety of Greenwich Hospital's administration and expenditure in accordance with the objects of the Royal Charter and the provisions of the relevant Acts of Parliament.

Greenwich Hospital employees are Crown servants and are required to adhere to the Seven Principles of Public Life as established by the Committee on Standards in Public Life ("The Nolan Committee") in 1995 (Cm 2850, 11 May 1995). These standards are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

### Structure

Greenwich Hospital is a Crown body which in meeting the requirements of its Royal Charter operates like a charity, albeit that the Charity Commission does not recognise the Hospital as a Charity due to its legal status. The constitution of Greenwich Hospital is set out in the Royal Charter of 1694 and its charitable objects are governed by the subsequent Greenwich Hospital Acts 1865-1996.

HMRC treats Greenwich Hospital as a charity and thus the Hospital is not liable either to income tax on its investment income or to stamp duty land tax. The legal personality of Greenwich Hospital is the Secretary of State for Defence, acting in execution of the Greenwich Hospital Acts 1865-1996 and the Defence (Transfer of Functions Act) 1964, who holds all the land, property and financial assets of Greenwich Hospital in trust for the Sovereign for the exclusive benefit of Greenwich Hospital (Greenwich Hospital Act 1865 s.23).

### Organisational structure

Since 1964, the sole trustee of Greenwich Hospital has been the Secretary of State for Defence, who administers Greenwich Hospital affairs through the Admiralty Board. The Director of Greenwich Hospital is responsible by virtue of a directive from the Admiralty Board for the proper and effective conduct of the functions of Greenwich Hospital including the regularity and propriety of the Hospital's administration adhering faithfully to the spirit of the Charter and complying with the relevant statutes.

The Director of Greenwich Hospital is assisted in his duties by an investment Advisory Panel which offers professional and expert guidance. An Advisory Board chaired by the Second Sea Lord oversees the management of Greenwich Hospital on behalf of the Secretary of State for Defence. Both bodies are purely advisory. Responsibility in law remains vested with the Secretary of State and day-to-day responsibility rests with the Director.

Under the Hospital's current status the Advisory Board does not have any legal authority, however following best practice in the charity and commercial sectors, the Hospital seeks to operate the Advisory Board in the manner of a Board of Trustees. The Board has recognised that although it is generally effective as demonstrated particularly by its financial management of income and charitable output, it requires more breadth and depth of expertise. It therefore intends in financial year 2012-13 to widen the number and expertise of its non-executive members, from the current 5 to at least 8 members covering the fields of property, investment, business, law, education and charity. The Hospital has recently also established sub-committees to the Advisory Board including Audit and Nominations sub-committees which will improve the Hospital's governance and strategic and operational decision making.

The Board and Panel currently meet 4 times per year with ad hoc meetings of the relevant experts to address specific issues in-year as required. The Audit and Nominations sub-committees are expected to meet twice a year. Meetings are minuted by the Greenwich Hospital executive staff and deposited periodically with The National Archives.

# Greenwich Hospital

The Advisory Board and Panel receive regular reports from the Hospital's professional advisors and managers on financial and property investments, charitable outputs and the Royal Hospital School (RHS). The accounts of RHS and Sheltered Housing are separately and professionally audited.

In 2011-12 the Board particularly addressed governance, Greenwich Market regeneration and RHS financial independence.

The current Director will retire in September 2012. The process of recruiting his replacement is under way.

## Strategic Management

The oversight of Greenwich Hospital's strategic policy is carried out by the Greenwich Hospital Advisory Board (GHAB) and, for finance and investment, the Greenwich Hospital Advisory Panel (GHAP).

A Strategic Plan is produced every five years and a proper and effective risk assessment is produced annually and presented to the Advisory Board.

## Financial Management

There is an effective system of financial control throughout Greenwich Hospital's activities, including those of the Royal Hospital School. Accounts are maintained in a form which meets Greenwich Hospital's internal management needs, the requirements of the Charities SORP and the needs of the Advisory Board and Panel, which accurately disclose at any time the financial position of Greenwich Hospital.

No Hospital funds are discharged without proper authorisation within the terms of the appropriate Acts of Parliament; and such authorisation is preceded by appropriate scrutiny of requirements and value for money considerations. Major projects are subject to a formal investment appraisal.

The accounts comply materially with all relevant accounting and disclosure requirements given in the Charities Statement Of Recommended Practice (SORP) 2005, as amended or augmented from time to time.

## Stewardship

All of the Hospital's directly held property and financial investments are managed by independent specialists. The specialist managers are required to report quarterly with a financial report against budget and a commentary on variances and the performance of the investments. In addition, the Finance Manager and her assistant undertake management validation reviews of the three main property holdings, the Royal Hospital School and Sheltered Housing. The Hospital is also the steward of some 700 heritage works of art, goods and chattels. The Hospital's art collection and other significant heritage items are principally under the day to day care and management of the National Maritime Museum and the old Royal Naval College with whom formal loan agreements exist with the Hospital.

The Hospital's specialist managers report regularly in person to the Advisory Panel.

## Budget Setting

A five year Short Term Plan (STP) is prepared annually comprising a five year STP for each of the Hospital's major activities, including the sheltered housing schemes, the directly held estates, quoted investments, the headquarters and the Royal Hospital School. The individual STP's are prepared by the agents and managers responsible and the School's STP is approved by its Board of Governors. The combined STP is approved by the Director and reviewed by the Advisory Panel and Advisory Board.

## Personnel Management

Greenwich Hospital employs the systems needed to promote economy, efficiency and effectiveness in the use of available resources. The Hospital has Investors in People accreditation and it ensures that its staff at all levels:

- have a clear view of their objectives and the means to assess and measure outputs ;
- are assigned well-defined responsibilities having the information training and access to expert advice which they need to exercise their responsibilities effectively;
- are given the highest level of delegated authority commensurate with their abilities and the needs of the organisation and are made fully aware of the limits of their delegated authority;
- are themselves properly managed, developed, motivated and rewarded in accordance by best practice within the charitable sector.

## Data Protection and Management

As Greenwich Hospital's Senior Information Risk Owner the Director ensures that Greenwich Hospital protects the personal data of its employees, beneficiaries and other intermediaries in accordance with the Data Protection Act 1998 and, where appropriate, the Cabinet Office Information Assurance Maturity Model. The Hospital has appointed a Data Protection Officer (DPO) registered with the Information Commissioner's Office. The Director also ensures that appropriate data protection arrangements are in place at the Royal Hospital School, and with any of Greenwich Hospital's agents, contractors, managers and professional advisers.

# Greenwich Hospital

## Delegation

The Director may sub-delegate his powers and responsibilities to members of Greenwich Hospital staff as he sees fit. Such delegation must be made on a personal basis and in writing. In addition the Clerk-in-Charge of Greenwich Hospital, who is for the time being a serving civilian officer of the Ministry of Defence, may assume any of these powers and responsibilities in the Director's absence without specific direction.

## Capacity to handle risk

A Risk Register is maintained which identifies the key risks and with a small HQ organisation the Senior Management Team maintains and regularly reviews the business wide risk register in conjunction with the annual Management Plan as an alternative to internal audit reviews. The Hospital also undertakes management validation. The Head of Strategic Development is the custodian of the Risk Register and the Management Plan.

## Internal control

Internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve the policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. Internal control procedures have been in place in Greenwich Hospital for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and in accordance with the Director of Greenwich Hospital's directive from the Admiralty Board.

## Risk and control

Key risks are considered to be in the area of Governance, Legal Status, Reputation, Income and Economic Environment.

The major risks include the objective to generate a sufficient return from investments so as to be able to fund the charitable outputs or requirements and the economic environment risk with regeneration of the Greenwich Market.

## Management

Management information including all financial reporting is prepared by either internal Greenwich Hospital staff or external professional consultants. Reports put to the Hospital's senior management team, the Advisory Board and Panel and the Admiralty Board are examined and revised where appropriate. Advisory Board and Admiralty Board approval, where required, is given on the basis of the Boards being satisfied that the data is accurate and of sufficient quality. Meetings are minuted and amendments to management reports or information are approved where necessary. The minutes of the Advisory Board and Panel are deposited periodically in the National Archives as a matter of public record. Greenwich Hospital's accounts are audited by the National Audit Office and laid annually before Parliament.

## Headquarters

The Senior Management Team meets monthly to consider the current budgetary position, management planning and associated risks. The Greenwich Hospital Advisory Panel is appointed to formulate Greenwich Hospital's investment policy and to monitor its implementation, with the objective of safeguarding the Hospital's investment assets and of maximising returns. The Admiralty Board is also supported by the Greenwich Hospital Advisory Board, chaired by the Second Sea Lord, which advises on the broad range of Greenwich Hospital business.

## Royal Hospital School

The Royal Hospital School (RHS) is owned and supported by Greenwich Hospital. The Director is an ex officio governor of the School and sits on the main board of governors and also sits on the Education, Finance, Property, Remuneration and Strategic Development Sub Committees.

As the Hospital HQ is not co-located with the RHS, responsibility for ensuring compliance with all appropriate legislation is delegated to the Headmaster, albeit that the School has no separate legal identity from the Hospital which ultimately bears the legal responsibility. There are also separate financial delegations to the Headmaster and the Bursar. The Director of the Hospital is automatically informed of incidents involving Health and Safety. Auditors (Larking Gowen) were appointed to report to the Director about the results of the School at year end.

## Naval Charity

The awards of grants and annuities to naval charities are formally notified to the charities by letter noting any specific breakdown reflected in the bid, following screening of the bids and subsequent approval of the budget by the Advisory Board. Charities are required to render to Greenwich Hospital the audited Accounts and Annual Review in which formal acknowledgement of the grants and annuities are recorded. In 2011-12 most grants and annuities were channelled via the Royal Navy & Royal Marines Charity (RNRMC) and were governed by a formal Memorandum of Understanding covering the detailed processes and audit trail requirements.

# Greenwich Hospital

## **Sheltered Housing**

Operation of the three Sheltered Housing Schemes is outsourced to the Church of England Soldiers' Sailors' and Airmen's Clubs (CESSAC) and that organisation is responsible for overseeing health and safety issues. Routine meetings are held with CESSAC to review operation of the Schemes. Auditors (Jones Avens) were appointed to report to the Director on the results of the Schemes at year end.

## **Property and quoted investments**

Procedures are in place to check the financial standing of all new tenants and to ensure that no single tenant becomes too material to the Hospital's overall income.

The Hospital's agents are charged with responsibility for health and safety and maintaining adequate insurance cover.

The allocation of funds to different asset classes is reviewed regularly to spread risk and provide the best possible income without capital volatility.

## **Review of the effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of managers within the Hospital who have responsibility for the development and maintenance of the internal control framework and the comments made by the external auditors in their management letter and other reports.

As Accounting Officer I am able to give a reasonable assurance on the effectiveness and current quality of internal control at Greenwich Hospital.

*M J Sands*

Director of Greenwich Hospital

5 July 2012

# Greenwich Hospital

## Audit Report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements of Greenwich Hospital for the year ended 31 March 2012 under the Greenwich Hospital Act 1865. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### Respective responsibilities of the Trustee, Director and Auditor

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

My responsibility is to audit and report on the financial statements in accordance with the Greenwich Hospital Act 1865. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff 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 Greenwich Hospital's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Greenwich Hospital and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of Greenwich Hospital's affairs as at 31 March 2012 and of the incoming resources and application of resources of Greenwich Hospital for the year then ended; and
- the financial statements have been properly prepared in accordance with the Greenwich Hospital Act 1865 and the accounting policies set out within them.

### Opinion on other matters

In my opinion:

- the information given in the Annual Report and the Review of Achievements and Performance for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit.
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### Report

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

9 July 2012



# Greenwich Hospital

## Statement of Financial Activities for the year ended 31 March 2012

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Total funds 2011-12 £'000	Total funds 2010-11 £'000
<b>Incoming resources</b>					
<b>Investment income</b>					
Property	3	7,067	-	<b>7,067</b>	6,849
Investments	4	4,261	-	<b>4,261</b>	4,591
Bank interest receivable		18	-	<b>18</b>	26
<b>Incoming resources from charitable activities</b>					
Royal Hospital School	5	10,691	707	<b>11,398</b>	11,015
Sheltered housing		455	-	<b>455</b>	429
<b>Other income</b>					
		9	-	<b>9</b>	22
<b>Total incoming resources</b>		<b>22,501</b>	<b>707</b>	<b>23,208</b>	<b>22,932</b>
<b>Resources expended</b>					
<b>Investment costs</b>					
Property	3	2,662	-	<b>2,662</b>	4,044
Investments	4	240	-	<b>240</b>	280
<b>Costs of charitable activities</b>					
Royal Hospital School	5	13,666	633	<b>14,299</b>	14,472
Sheltered housing		537	-	<b>537</b>	552
Grants, annuities and donations	7	2,802	-	<b>2,802</b>	2,401
<b>Total resources expended</b>		<b>19,907</b>	<b>633</b>	<b>20,540</b>	<b>21,749</b>
<b>Headquarters administration</b>	8	1,008	-	<b>1,008</b>	998
<b>Derecognition of liability</b>	17	(377)	-	<b>(377)</b>	-
<b>Net incoming resources before transfers and other recognised gains and losses</b>		<b>1,963</b>	<b>74</b>	<b>2,037</b>	<b>185</b>
<b>Other recognised gains/(losses)</b>					
Disposal of investment properties		46	-	<b>46</b>	131
Disposal of quoted investments		411	-	<b>411</b>	582
Revaluation of investment properties	13	8,606	-	<b>8,606</b>	9,245
Revaluation of quoted investments	14	(192)	-	<b>(192)</b>	(56)
Interest on pension liability	18	(927)	-	<b>(927)</b>	(1,036)
Change in indexation on pension liability	18	-	-	<b>-</b>	1,500
Actuarial gain/(loss) on pension scheme	18	(1,981)	-	<b>(1,981)</b>	1,106
<b>Net movement in funds</b>		<b>7,926</b>	<b>74</b>	<b>8,000</b>	<b>11,657</b>
Total funds brought forward at 1 April 2011		241,256	460	<b>241,716</b>	230,059
<b>Total funds carried forward at 31 March 2012</b>		<b>249,182</b>	<b>534</b>	<b>249,716</b>	<b>241,716</b>

All activities are classed as continuing and all recognised gains and losses have been included in the accounts.

*The notes on pages 15 to 30 form part of these accounts.*

# Greenwich Hospital

## Balance Sheet as at 31 March 2012

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Charitable property	10	34,829	35,702
Other tangible assets	11	<u>1,544</u>	<u>1,627</u>
		<b>36,373</b>	<b>37,329</b>
Investment property	13	148,588	138,530
Quoted investments	14	<u>77,043</u>	<u>76,425</u>
		<b>225,631</b>	<b>214,955</b>
<b>Investment in subsidiary</b>	6	-	-
<b>Total fixed assets</b>		<u><b>262,004</b></u>	<u><b>252,284</b></u>
<b>Current assets</b>			
Debtors	15	3,312	2,785
Short term deposits	16	1,519	1,512
Cash at bank and in hand	16	<u>6,400</u>	<u>5,412</u>
		<b>11,231</b>	<b>9,709</b>
<b>Current liabilities (amounts falling due within one year)</b>	17	<b>(3,768)</b>	<b>(3,353)</b>
<b>Net current assets</b>		<u><b>7,463</b></u>	<u><b>6,356</b></u>
<b>Liabilities (amounts falling due after more than one year)</b>	17	<b>(46)</b>	-
<b>Net assets excluding pension liability</b>		<b>269,421</b>	<b>258,640</b>
Pension provision	18	<b>(19,705)</b>	<b>(16,924)</b>
<b>Net assets including pension liability</b>		<u><b>249,716</b></u>	<u><b>241,716</b></u>
<b>Funds</b>			
Unrestricted funds	22	249,182	241,256
Restricted funds	22	534	460
		<u><b>249,716</b></u>	<u><b>241,716</b></u>

*The notes on pages 15 to 30 form part of these accounts.*

M J Sands  
Director of Greenwich Hospital

5 July 2012

# Greenwich Hospital

## Cash Flow Statement for the year ended 31 March 2012

	Note	2011-12 £'000	2010-11 £'000
<b>Net cash flow from operating activities</b>			
Net incoming resources		2,037	185
Movement of pension liability during the year		(127)	(18)
Depreciation		1,349	1,324
Interest on finance lease		7	-
Profit on sale of tangible fixed assets		(2)	(17)
Increase in debtors		(527)	(108)
Increase in creditors		373	79
Decrease in other provision		-	(5)
		<u>3,110</u>	<u>1,440</u>
<b>Returns of investments and servicing of finance</b>			
Interest element of finance lease payments		(7)	-
<b>Charitable capital expenditure</b>			
Payments to acquire or improve property	10	(47)	(1,858)
Payments to acquire other tangible fixed assets		(220)	(518)
Receipts from sale of other tangible fixed assets		6	32
		<u>(261)</u>	<u>(2,344)</u>
<b>Non charitable capital expenditure and financial investment</b>			
Payments to acquire or improve property	13	(1,637)	(2,155)
Receipts from sale of property and other capital receipts		231	548
Payments to acquire investments	14	(83,585)	(72,060)
Receipts from sale of investments		83,186	75,290
		<u>(1,805)</u>	<u>1,623</u>
<b>Financing</b>			
Capital element of finance lease payments		(42)	-
<b>Movement in liquid resources</b>			
		<u>995</u>	<u>719</u>
Increase/(Decrease) in short term deposits	16	7	(2,497)
Increase in cash	16	988	3,216
		<u>995</u>	<u>719</u>

*The notes on pages 15 to 30 form part of these accounts.*

# Greenwich Hospital

## Notes to the Accounts for the year ended 31 March 2012

### 1 Accounting policies

#### *a Basis of accounting*

The accounts have been prepared under the historical cost convention as modified below. Due to the charitable nature of the majority of the Hospital's activities, the accounts have been prepared to materially comply with the underlying principles of the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005).

The accounts meet the accounting and disclosure requirements of the Companies Act and accounting standards issued or adopted by the Accounting Standards Board, so far as those requirements are considered to be appropriate. Greenwich Hospital has not met the accounting and disclosure requirements of the Companies Act and accounting standards issued with respect to:

Disclosure of relationships with key stakeholders.

Note 6 to the accounts discloses the results for the Royal Hospital School Enterprises Limited. As the subsidiary is not material to the group, consolidation is not required as per SORP 2005.

#### *b Tangible and intangible fixed assets*

Freehold land and buildings held for investment purposes are shown at market value. The market value as at 31 March 2012 has been approved by the Director based upon valuations provided by the appointed Chartered Surveyors for the estates in line with RICS Red Book standards.

Buildings held for charitable purposes are recorded at cost less accumulated depreciation and are reviewed annually for impairment.

Other fixed assets, with the exception of works of art and artefacts, are shown at original cost (estimated where necessary). Assets costing less than £1,000 are expensed at the time of purchase.

#### *c Heritage Assets*

Works of art and artefacts have been acquired historically through bequest and gift. The Hospital does not currently seek to acquire art works or artefacts. Its disposal policy is that items may be considered for disposal where this would be to the exclusive benefit of the charitable aims of the Hospital. Where such items may be of national, historic or cultural significance, disposal would be reviewed.

The majority of the Hospital's heritage assets are on permanent loan to the National Maritime Museum (NMM). There is a formal deed of agreement between GH and the NMM dated 23 April 1936, which provides for the loan of specified items from the Greenwich Hospital collection to the Museum and for the Museum to be fully responsible for their care. These include many which are of great national heritage significance or subject to specific bequests, which would in many cases inhibit or prevent their disposal on the open marketplace. Greenwich Hospital does not hold any substantial risks and rewards of ownership from this collection.

In addition, the Hospital holds some other heritage assets. A valuation was made by professional valuers (Sotheby's) covering the whole of the Hospital's collection in 2001. As 96% by value of the assets are on loan, the Hospital considers the remainder of the assets to be immaterial. The valuation is considered unreliable because of its age and the Hospital considers that the costs to revalue these assets would be onerous compared with the additional benefits derived by the Hospital and users of the accounts. As a result no value has been recognised for these assets in the Hospital's Balance Sheet.

The Hospital's management policy in respect of its heritage assets is summarised in note 12.

#### *d Fixed assets investments*

Quoted investments are shown at market value, the carrying value of all investments is at fair value and changes in fair value between accounting periods are charged or credited to equity. Cash deposits which are held with external investors are presented in the balance sheet as current assets. All other financial assets are presented as fixed assets. The fair values of quoted investments are based on externally reported bid prices at the Balance Sheet date.

Transaction costs or management support costs are not included in valuations. They are charged to expenditure in the period in which they are incurred.

#### *e Recognition of incoming and outgoing resources*

Income is recognised in the period in which it is receivable. Rental increases arising as a result of rent reviews and lease negotiations are not recognised until negotiations are completed.

All expenditure is charged in the period to which it relates.

# Greenwich Hospital

## Accounting policies (continued)

### *f Leases*

Premiums paid to acquire an interest in property, including lease surrenders, are recorded as capital expenditure on completion.

Premiums received upon the granting of a lease or variation of lease terms in favour of a tenant are recorded as capital receipts.

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

### *g Gains and losses*

In compliance with SORP 2005, surpluses and deficits on realisation of Quoted Investment assets are calculated as the difference between the sale price and the latest market valuation at the end of each month or cost if purchased during the last month of the financial year.

### *h Cash and bank*

The Hospital maintains a bank account with the Government Banking Service, through Citigroup, in accordance with the provisions of the Greenwich Hospital Act 1865 and also maintains a number of current and deposit accounts with HSBC Bank plc.

### *i Payments*

The Hospital's policy is to pay its creditors for goods and services supplied by them in accordance with the terms negotiated with them. The Hospital aims to pay all suppliers within 30 days of receipt of the invoice.

### *j Depreciation*

Depreciation is provided on all tangible fixed assets, other than freehold land. Depreciation is calculated on the straight line basis to write off the value of each asset over its expected useful life, as follows:

Buildings	fifteen to fifty years
Leasehold improvements	over the life of the lease remaining
All other assets	five to twenty five years

The useful economic lives of fixed assets are reassessed each year and the associated depreciation rates amended as necessary. No depreciation is provided on freehold land and buildings which are held as investment assets. Assets under construction are shown on the basis of cash expended to date. Depreciation is not charged until the asset is in use.

### *k Pension schemes*

Greenwich Hospital operates an unfunded, defined benefit, contracted out non-contributory pension scheme to provide retirement and related benefits to all eligible employees who joined the Hospital up to June 2011. The scheme is analogous to that of the Principal Civil Service Pension Scheme and Greenwich Hospital is responsible for paying pensions to retired employees other than teachers.

As from July 2011 the Greenwich Hospital Group Pension Scheme (the pension scheme) is open to all employees. The pension scheme is a money-purchase scheme and all deductions paid to the scheme provider are non refundable.

Teaching staff at the Royal Hospital School are members of the Teachers' Superannuation Scheme, the nature of this scheme is set out in note 18.

### *l Provisions*

Provisions for liabilities and charges have been established under the criteria of FRS12 and are based on realistic and prudent estimates of the expenditure required to settle future legal or constructive obligations that exist at the balance sheet date. Provisions are charged to the Statement of Financial Activities.

# Greenwich Hospital

## 2 Summary of resources for the year ended 31 March 2012

We have included this page to provide the reader of the accounts with more information about the Hospital's activities. This reflects our net income and charitable activities separately. Income and expenditure are reported gross and recognised in the Statement of Financial Activities on page 12 of these accounts.

	Note	2011-12 £'000	2010-11 £'000
<b>Incoming resources</b>			
Net income from property	3	4,405	2,805
Net income from investments	4	4,021	4,311
Bank interest receivable		18	26
Other income		9	22
<b>Total incoming resources</b>		<b>8,453</b>	7,164
<b>Resources expended</b>			
Net Royal Hospital School expenses	5	2,901	3,457
Net sheltered housing expenses		82	123
Grants, pensions and donations	7	2,802	2,401
<b>Net resources expended</b>		<b>5,785</b>	5,981
<b>Headquarters administration costs</b>	8	<b>1,008</b>	998
<b>Derecognition of liability</b>	17	<b>(377)</b>	-
<b>Net incoming resources before transfers and other recognised gains and losses</b>		<b>2,037</b>	185
<b>Gain/(loss) on realisation of assets</b>			
Investment properties		46	131
Quoted investments		411	582
<b>Gain/(loss) on revaluation of assets</b>			
Investment properties	13	8,606	9,245
Quoted investments	14	(192)	(56)
<b>Other recognised gains/(losses)</b>			
Interest on pension liabilities	18	(927)	(1,036)
Change in indexation on pension liability	18	-	1,500
Actuarial gain/(loss) on pension scheme	18	(1,981)	1,106
<b>Net movement in funds</b>		<b>8,000</b>	11,657
Balance at 1 April 2011		241,716	230,059
<b>Total fund balances at 31 March 2012</b>		<b>249,716</b>	241,716

# Greenwich Hospital

<b>3 Net rental income</b>	<b>Income</b>	<b>Expenditure</b>	<b>Surplus</b>	<b>Surplus</b>
	<b>£'000</b>	<b>£'000</b>	<b>2011-12</b>	<b>2010-11</b>
			<b>£'000</b>	<b>£'000</b>
Greenwich estate	5,005	2,219	2,786	1,368
Northern estates	629	327	302	313
Holbrook estate	169	103	66	62
London property	118	-	118	117
Pollen estate	1,041	5	1,036	844
Property unit trust	105	8	97	101
<b>Total</b>	<b>7,067</b>	<b>2,662</b>	<b>4,405</b>	<b>2,805</b>
<b>4 Income from investments</b>			<b>2011-12</b>	<b>2010-11</b>
			<b>£'000</b>	<b>£'000</b>
UK equities			2,062	2,568
Overseas investments			1,450	883
Reade Accumulation fund			115	115
UK fixed interest			634	1,022
Cash instruments			-	3
<b>Total income from investments</b>			<b>4,261</b>	<b>4,591</b>
Less: Investment manager's fees			(240)	(280)
<b>Net income from investments</b>			<b>4,021</b>	<b>4,311</b>
<b>5 Royal Hospital School</b>		Note	<b>2011-12</b>	<b>2010-11</b>
			<b>£'000</b>	<b>£'000</b>
<b>Income</b>				
School fees			12,783	12,351
Less: Bursaries paid by Greenwich Hospital			(2,683)	(2,953)
Incidental charges			281	337
Supplementary income			52	196
Income from lettings and hire of facilities			68	57
Restricted funds			707	907
Gift aid donation from Royal Hospital School Enterprises Limited		6	190	120
			<b>11,398</b>	<b>11,015</b>
<b>Expenditure</b>				
Teachers' salaries			4,904	4,798
Support staff salaries			3,251	3,362
Academic			1,590	1,560
Premises and facilities			1,906	1,748
Administration			772	725
Depreciation			1,191	1,166
Restricted funds			633	934
Supplementary expenses			52	179
			<b>14,299</b>	<b>14,472</b>
<b>Excess of expenditure over income</b>			<b>2,901</b>	<b>3,457</b>

Supplementary income comprises monies paid by parents for sundry expenses incurred by or on behalf of pupils, which are reflected in supplementary expenses.

# Greenwich Hospital

## 6 Royal Hospital School Enterprises Limited

Royal Hospital School Enterprises Limited was incorporated on 31 March 2008 to take over the non-charitable activities of the Royal Hospital School with effect from 1 April 2008. The company is limited by shares and incorporated in England and Wales. Its share capital is wholly owned by the Trustee of the Hospital and as a result it is a subsidiary of the Hospital.

The company's profits are transferred under gift aid rules to the Hospital. A summary of the accounts is as follows:

	Note	2011-12 £'000	2010-11 £'000
<b>Income</b>			
Summer lettings		224	170
Catering income		19	13
Income from hire of facilities		44	24
Other income		7	3
		<u>294</u>	<u>210</u>
<b>Expenditure</b>			
Catering costs		16	11
Summer letting catering costs		82	74
Accountancy		2	1
Audit fees		2	2
Administration		2	2
		<u>104</u>	<u>90</u>
Gift aid donation	5	190	120
		<u>-</u>	<u>-</u>
<b>Surplus for the period</b>			
Cash		178	125
Debtors		15	6
Stock		1	2
Creditors: amounts falling due within one year		(194)	(133)
		<u>-</u>	<u>-</u>
<b>Total assets less current liabilities</b>			
<b>Capital and reserves</b>			
Share capital			
<b>Authorised</b>			
100 Ordinary shares of £1 each			
<b>Allotted, called up and fully paid</b>			
1 Ordinary share of £1 each			
		<u>-</u>	<u>-</u>

Total assets less current liabilities are £1 and below the £1k rounding threshold.

## 7 Grants, annuities and donations

The Royal Navy and Royal Marines Charity (RNRMC) was established as a charitable company to rationalise over 60 internal Naval Charities embracing, amenities, sport, prizes, benevolence, death in service grants and progressively to encourage the independent external charities to join the RNRMC to provide a single focus for Naval Charity. 89 charities are now under the umbrella of the RNRMC resulting in a saving on administrative and governance costs and improved investment performance.

On 1 April 1983 the Admiralty Board agreed proposals for the Hospital to assist the Royal Naval Benevolent Trust (RNBT) by providing grants to fund the Jellicoe annuities.

Other donations included £500 towards defraying the costs of the Annual Seafarers Service at St Paul's Cathedral.



# Greenwich Hospital

<b>7 Grants, annuities and donations (continued)</b>	<b>2011-12</b>	2010-11
	<b>£'000</b>	£'000
<b>Assistance to RNRMC, RNRMC constituent naval charities and Tri Service charities</b>		
RNRMC Naval and Tri Service Charities	<b>536</b>	358
RNRMC CEO Salary and legal fees	<b>109</b>	130
<b>Jellicoe Annuities</b>	<b>936</b>	936
<b>Assistance to Independent naval charities</b>		
Royal Naval Benevolent Trust (RNBT)	<b>416</b>	341
Royal Navy & Royal Marines Children's Fund (RN&RMCF)	<b>550</b>	430
Royal Sailors' Rests (RSR)	<b>50</b>	-
Women's Royal Naval Service Benevolent Trust (WRNSBT)	<b>82</b>	80
<b>Miscellaneous grants and donations</b>		
Sea Cadets	<b>100</b>	100
Educational Grants	<b>22</b>	7
Other Donations	<b>1</b>	19
	<b>2,802</b>	2,401

<b>8 Headquarters administration</b>	<b>2011-12</b>	2010-11
	<b>£'000</b>	£'000
Salaries	<b>623</b>	615
Audit fee	<b>32</b>	32
Professional, legal and consultancy fees	<b>129</b>	105
Depreciation	<b>26</b>	27
Office expenses	<b>198</b>	219
	<b>1,008</b>	998

## Support cost allocation

For the purpose of the analysis of activity by objective, Headquarter costs have been allocated as follows:

Objective	Basis of allocation	Cost of generating funds					Total 2011-12 £'000
		Education £'000	Sheltered Housing £'000	Benevolence £'000	Governance £'000		
Salaries	Staff time	299	218	31	75	-	<b>623</b>
Audit fee	Activity	-	-	-	-	32	<b>32</b>
Professional fees	Activity	70	19	1	-	39	<b>129</b>
Depreciation	Staff time	13	9	1	3	-	<b>26</b>
Office expenses	Staff time	95	69	10	24	-	<b>198</b>
Total at 31 March 2012		<b>477</b>	<b>315</b>	<b>43</b>	<b>102</b>	<b>71</b>	<b>1,008</b>
Total at 31 March 2011		<b>496</b>	<b>336</b>	<b>47</b>	<b>87</b>	<b>32</b>	<b>998</b>

The note relating to support cost allocation has been modified this year. This is a change in presentation and has not resulted in any change to the total figures presented.

# Greenwich Hospital

<b>9 Staff costs</b>	<b>2011-12</b>	2010-11
	<b>£'000</b>	£'000
Salaries and wages	7,417	7,379
Social security costs	588	570
Pension costs	1,121	1,105
	<b><u>9,126</u></b>	<b><u>9,054</u></b>
Composed of:		
Royal Hospital School	8,155	8,160
Headquarters administration	623	615
Sheltered housing	75	77
Northern estates	52	52
Greenwich estate	221	150
	<b><u>9,126</u></b>	<b><u>9,054</u></b>

Excluding the Director, the number of staff whose remuneration including benefits but excluding pension contributions exceeded £60,000 per annum was as follows:

	2011-12	2010-11
£60,000 to £69,999	11	8
£70,000 to £79,999	4	4
£100,000 to £109,999	1	1
£120,000 to £129,999	1	1

The average monthly number of staff (full time equivalent) were as follows:

Royal Hospital School	206	222
Headquarters administration	13	13
Sheltered housing	3	3
Northern estates	2	2
Greenwich estate	6	5
	<b><u>230</u></b>	<b><u>245</u></b>

The remuneration of the Director of the Hospital, M J Sands was as follows:

	2011-12	2010-11
	£	£
Salary	70,987	70,987
Employer's pension cost	15,475	15,475
	<b><u>86,462</u></b>	<b><u>86,462</u></b>

Martin Sands, as the Director, was entitled to pension benefits under the Hospital's contracted out non-contributory defined benefit scheme (see Note 1). The Cash Equivalent Transfer Value (CETV) as at 31 March 2012 was £63,830 (31 March 2011 £46,223). The Director did not receive any benefits in kind.

Greenwich Hospital does not operate a formal bonus scheme, awarding bonuses is entirely at the discretion of the Hospital and such awards do not imply any entitlement in respect of future years. The Director did not receive any bonus for the year ending 31 March 2012.

The Trustee of the Hospital and the members of the Advisory Panel and Board are not remunerated.

# Greenwich Hospital

## 10 Charitable property

	Royal Hospital School £'000	Sheltered Housing £'000	Total £'000
Cost at 1 April	35,928	6,729	42,657
Additions	47	-	47
Cost at 31 March	<u>35,975</u>	<u>6,729</u>	<u>42,704</u>
Depreciation at 1 April	5,631	1,324	6,955
Charge for the year	804	116	920
Depreciation at 31 March	<u>6,435</u>	<u>1,440</u>	<u>7,875</u>
<b>Net book value at 31 March 2012</b>	<b><u>29,540</u></b>	<b><u>5,289</u></b>	<b><u>34,829</u></b>
Net book value at 31 March 2011	<u>30,297</u>	<u>5,405</u>	<u>35,702</u>

The Royal Hospital School occupies approximately 150 acres of the Holbrook Estate. The School has been valued by Strutt & Parker LLP, an independent firm of valuers at £43m as at 31 March 2011, on the basis of its existing use. The Hospital's policy states that buildings held for charitable purposes are recorded at cost less accumulated depreciation, therefore the carrying value of the School has not been updated.

The sheltered housing schemes (Greenwich Court, Portsmouth; Greenwich Place, Saltash; and Trafalgar Quarters, Greenwich) are being administered on behalf of Greenwich Hospital by the Church of England Soldiers' Sailors' and Airmen's Clubs (a Church of England charity). The properties are shown at cost less accumulated depreciation.

## 11 Other tangible assets

	Motor vehicles £'000	Plant and machinery £'000	Furniture, Fixtures and Fittings £'000	Educational equipment £'000	Computer and network equipment £'000	Total £'000
Cost at 1 April	227	2,052	326	384	768	3,757
Additions	38	145	1	28	138	350
Disposals	(12)	(31)	-	(15)	(64)	(122)
Cost at 31 March	<u>253</u>	<u>2,166</u>	<u>327</u>	<u>397</u>	<u>842</u>	<u>3,985</u>
Depreciation at 1 April	130	1,036	211	308	445	2,130
Charge for the Year	22	236	32	47	92	429
Released on Disposal	(12)	(29)	-	(15)	(62)	(118)
Depreciation at 31 March	<u>140</u>	<u>1,243</u>	<u>243</u>	<u>340</u>	<u>475</u>	<u>2,441</u>
<b>Net Book Value at 31 March 2012</b>	<b><u>113</u></b>	<b><u>923</u></b>	<b><u>84</u></b>	<b><u>57</u></b>	<b><u>367</u></b>	<b><u>1,544</u></b>
Net Book Value at 31 March 2011	<u>97</u>	<u>1,016</u>	<u>115</u>	<u>76</u>	<u>323</u>	<u>1,627</u>

Included in the above is computer equipment with a net book value at 31 March 2012 of £100,754 acquired on finance lease in August 2011 for £129,541. The depreciation charge for the year on these assets was £28,787.

# Greenwich Hospital

## 12 Heritage assets not recognised in the balance sheet

The 2010-11 accounts stated that Greenwich Hospital owned 563 works of art and artefacts. During 2011 an audit of all these works, not currently on loan to the National Maritime Museum (NMM), was carried out by a researcher. This audit concluded that the Hospital owns over 700 works of art and artefacts. Two paintings, believed to be of low value, without a known location are not included in the totals below; one of which may have been destroyed by fire in 1850 and the other has been missing since 1935.

In accordance with the provisions of the National Maritime Museum Act 1934, the majority of the collection is on permanent loan to the National Maritime Museum in Greenwich (see note 1). In accordance with FRS30, these assets are not capitalised because the Hospital does not hold any substantial risks and rewards of ownership from this collection.

There have been no acquisitions or disposals of heritage assets during the last five years.

Our heritage assets can be split by number and location into the following asset classes;

	Manuscripts, Muniments and Plans	Furniture and Clocks	Collectors items	Sculptures	Pictures	Silver and plated	Total
National Maritime Museum	13	2	160	23	248	50	<b>496</b>
Royal Pavilion Brighton	-	12	-	-	-	-	<b>12</b>
Old Royal Naval College	1	42	5	4	7	35	<b>94</b>
Royal Hospital School	2	9	20	1	35	16	<b>83</b>
GH Headquarters	1	1	1	-	11	-	<b>14</b>
Defence College	-	-	-	-	1	-	<b>1</b>
Northern Estates	4	1	-	-	3	-	<b>8</b>
The National Archives	1	-	-	-	-	-	<b>1</b>
	<b>22</b>	<b>67</b>	<b>186</b>	<b>28</b>	<b>305</b>	<b>101</b>	<b>709</b>

Collectors items include arms, armour, tribal art, medals and measures and the Naval officer's uniform worn by Nelson when he was killed at the Battle of Trafalgar.

Items of note include The Battle of Trafalgar, 21 October 1805, by Joseph MW Turner on loan to NMM, valued in 2001 at £40m.

The collection of furniture at the Royal Pavilion, Brighton is valued at £6m. These are also on permanent loan and Greenwich Hospital does not hold the risks and rewards of ownership.

## 13 Investment property

	Greenwich Estate £'000	Northern Estates £'000	Holbrook Estate £'000	London Property £'000	Pollen Estate £'000	Property Unit Trust £'000	Total £'000
Valuation at 1 April 2011	79,068	24,856	6,112	2,020	24,098	2,376	138,530
Additions	1,251	371	15	-	-	-	1,637
Disposals	-	(185)	-	-	-	-	(185)
Revaluation	4,441	507	273	180	3,155	50	8,606
<b>Valuation at 31 March 2012</b>	<b>84,760</b>	<b>25,549</b>	<b>6,400</b>	<b>2,200</b>	<b>27,253</b>	<b>2,426</b>	<b>148,588</b>

The Hospital's Advisory Panel considers that because the holding in Schroders Exempt Property Unit Trust is managed as an investment in property it should be included in Investment Property rather than Investments.

The amount reflected as additions to the Greenwich Estate is mainly consultants' fees incurred in connection with the Hospital's proposals for the regeneration of Greenwich Market. These costs are classed as assets under construction and included in the year end value of the estate.

# Greenwich Hospital

## 13 Investment property (continued)

At 31 March 2012, the Hospital held a 10.2277% beneficial interest in the Pollen Estate, which is an independent trust investing in property. CB Richard Ellis Ltd provided a valuation for the Pollen Estate Trustee Company as at 31 December 2011 and this has been used as the basis for the value of the Hospital's interest in the estate as at 31 March 2012.

Other investment property comprises freehold land and buildings and is shown at market value as at 31 March 2012, as approved by the Director based upon valuations provided by the appointed Chartered Surveyors for the estates the property agents Smiths Gore provided a valuation of the Northern Estates and Strutt & Parker provided a valuation of the Holbrook Estate. Capita Symonds Real Estate provided a valuation of the Greenwich Estate and Hunters Property Investment Limited provided a valuation for the London Property. All of the individuals who undertook valuations have the relevant knowledge, skills, qualifications and understanding to competently value the Estates.

In addition to the above items, Greenwich Hospital also owns the Old Royal Naval College, the Dreadnaught Seamen's Hospital and Devonport Nurses Home. These buildings are classed as investment properties as they are currently being occupied by other organisations under operating leases. Each operating lease lasts for 150 years from 1998. These buildings are part of the Maritime Greenwich World Heritage Site (UNESCO reference 795). Due to the nature of these assets and the terms on which they are occupied, their value is considered to be nominal.

Greenwich Hospital also owns the King William Pier (known as Greenwich Pier). This structure is classed as an investment property as it is currently being occupied by another organisation under an operating lease lasting for 999 years from 2010. No value has been ascribed to this asset in these accounts.

Greenwich Hospital also owns Bellot Memorial Gardens. Greenwich Council did not renew their lease in 2009 and cost of maintaining the existing memorial, garden and sea wall railings has reverted to the Hospital. No alternative uses or potential to create an income have been indentified. The value of this interest could be negative subject to detailed information regarding any positive repairing liability upon the land, due to this no value has been ascribed to the asset in these accounts.

## 14 Quoted investments - Available for sale financial assets

	2011-12 £'000	2010-11 £'000
Market value at 1 April 2011	76,425	79,129
Additions at cost	83,585	72,060
Value of investments sold	(82,775)	(74,708)
Unrealised loss on revaluation	(192)	(56)
Market value at 31 March 2012	<u>77,043</u>	<u>76,425</u>
	<b>Market value</b>	<b>Market value</b>
	<b>Cost Price</b>	<b>2011-12</b>
	<b>£'000</b>	<b>£'000</b>
UK Equity Funds	24,198	24,250
Global/International Equity Funds	29,892	30,359
Global/International Bond Funds	19,278	19,362
Cash Funds Newton	264	264
Reade Accumulation Fund	2,293	2,808
	<u>75,925</u>	<u>76,425</u>

# Greenwich Hospital

<b>15 Debtors: Amounts falling due within one year</b>	<b>2011-12</b>	<b>2010-11</b>
	<b>£'000</b>	<b>£'000</b>
School fees receivable	143	58
Rents receivable	1,270	1,656
Other debtors	1,428	596
Amounts due from subsidiary	190	120
Prepayments	281	355
	<b>3,312</b>	<b>2,785</b>

No material balances are held with other government bodies

<b>16 Reconciliation of increase in cash to movement in net funds</b>	<b>2011-12</b>	<b>2010-11</b>
	<b>£'000</b>	<b>£'000</b>
Increase/(Decrease) in short term deposits in the period	7	(2,497)
Increase in cash in the period	<b>988</b>	<b>3,216</b>
Change in net funds resulting from cash flows	<b>995</b>	719
Net funds at 1 April 2011	<b>6,924</b>	6,205
Net funds at 31 March 2012	<b>7,919</b>	<b>6,924</b>

## Analysis of net funds

	As at 31 March 2011 £'000	Cash flow £'000	As at 31 March 2012 £'000
Short term deposits	1,512	7	1,519
Government Banking - CitiBank	611	1,157	1,768
Other accounts and cash in hand	4,301	329	4,630
Capital and income accounts with Newton	500	(498)	2
	<b>6,924</b>	<b>995</b>	<b>7,919</b>

<b>17 Creditors</b>	<b>2011-12</b>	<b>2010-11</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
Trade creditors	325	346
School fees and related amounts received in advance	259	175
Rents received in advance	658	519
Other creditors	1,933	1,868
Obligations under finance leases	42	-
Accruals	551	445
	<b>3,768</b>	<b>3,353</b>
<b>Amounts falling due after one year</b>		
Obligations under finance leases	46	-
	<b>3,814</b>	<b>3,353</b>

No material balances are held with other government bodies

Greenwich Hospital recognised a creditor of £376,691 relating to an unanticipated payment that was made for pension costs on its behalf by the Armed Forces Pension Service in 2004-05 and 2005-06. Greenwich Hospital wrote off this creditor for the 2011-12 accounts as it was no longer required.

# Greenwich Hospital

<b>18 Pension provision</b>	<b>2011-12</b>	2010-11
	<b>£'000</b>	£'000
Balance at 1 April 2011	<b>16,924</b>	18,512
Employee transfer of benefit	-	-
Increase/(Decrease) in provision	<b>2,781</b>	(1,588)
Balance at 31 March 2012	<b>19,705</b>	<b>16,924</b>

Greenwich Hospital has undertaken to provide certain pension provisions to its current and former staff. These benefits are not currently being funded and are provided for out of the Hospital's cash flow. A full actuarial valuation of the liability was carried out as at 31 March 2012 by First Actuarial plc.

The scheme is unfunded and therefore provision has been made in the accounts.

A small number of members of the Greenwich Hospital pension scheme have chosen the defined contribution option. The employer's contributions were a cash cost to the Hospital for the period. For 2011-12 employer's contributions of £15,789 were paid (2010-11: £14,952). An amount of £1,648 (2010-11: £1,383) was outstanding at the year end.

The major assumptions made by the actuary are as follows and have regard to the yields available on corporate bonds for assessing the potential investment return and the relative yields on fixed and inflation linked bonds for assessing inflation. The adoption of different assumptions would result in a different set of calculations and a different liability. The actuary also noted some uncertainties in the accuracy of the membership data used to calculate the liability.

	<b>2011-12</b>	2010-11
Discount rate	<b>4.80%</b>	5.40%
Rate of increase in inflation (CPI)	<b>2.10%</b>	2.15%
Rate of increase in salaries	<b>4.60%</b>	4.40%
Rate of increase of pensions in payment	<b>2.80%</b>	2.75%
Rate of increase for deferred pensioners	<b>2.10%</b>	2.15%

## Analysis of the amounts that have been charged to the SOFA

Amount that has been charged to operating expenditure - Current service cost	<b>(485)</b>	(485)
Amount that has been debited to other financial costs - Interest on liabilities	<b>(927)</b>	(1,036)

## Analysis of the amount that has been recognised in the SOFA as actuarial (loss)/gain

Actuarial (loss)/gain recognised in SOFA	<b>(1,981)</b>	1,106
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## Movement of liability during the year

	<b>2011-12</b>	2010-11
	<b>£'000</b>	£'000
Liability at beginning of the year	<b>16,924</b>	18,512
Current service cost	<b>485</b>	485
Pension payments made during the year	<b>(692)</b>	(579)
Employees' contributions	<b>80</b>	76
Employee transfer of benefit	-	-
Past service cost	-	(1,500)
Other financial costs	<b>927</b>	1,036
Actuarial loss/(gain)	<b>1,981</b>	(1,106)
Liability at end of the year	<b>19,705</b>	<b>16,924</b>

## History of liability

	<b>2011-12</b>	2010-11	2009-10	2008-09	2007-08
	<b>£'000</b>	£'000	£'000	£'000	£'000
Value of scheme liability	<b>19,705</b>	16,924	18,512	15,477	14,209

# Greenwich Hospital

## 18 Pension provision (continued)

As from July 2011 the Hospital introduced the Greenwich Hospital Group Pension Scheme (the pension scheme) to all employees (except teachers at the Royal Hospital School). The pension scheme is a money-purchase scheme and all deductions paid to the scheme provider are non refundable. The employer's contributions were a cash cost to the Hospital for the period. For 2011-12 employer's contributions of £1,217 were paid. An amount of £264 was outstanding at the year end.

Teaching staff at the Royal Hospital School are covered by the provisions of the Teachers' Pension Scheme. Contributions are payable to the Teachers Pension Agency. The employer's contributions were a cash cost to the Hospital for the period of these accounts. For 2011-12 the rate was 14.1%. Employer's contributions of £621,581 were payable to the Scheme (2010-11: £606,563).

The Teachers' Pension Scheme is an unfunded multi-employer defined benefit scheme but Greenwich Hospital is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out by the Government Actuary's Department as at 31 March 2004 and published in November 2006. Consequently, a formal actuarial valuation would have been due as at 31 March 2008. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision.

In the UK Budget Statement of 22 June 2011, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Price Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits.

The change from RPI to CPI for the purposes of uprating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with FRS17. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

## 19 Obligations under finance leases

	2011-12 £'000	2010-11 £'000
Gross obligations repayable:		
within one year	49	-
in the second to fifth years	48	-
	<u>97</u>	<u>-</u>
Finance charges repayable:		
within one year	7	-
in the second to fifth years	2	-
	<u>9</u>	<u>-</u>
Net obligations repayable:		
within one year	42	-
in the second to fifth years	46	-
	<u>88</u>	<u>-</u>

## 20 Operating lease commitments

	Land and buildings 2011-12 £'000	Plant and machinery 2011-12 £'000	Land and buildings 2010-11 £'000	Plant and machinery 2010-11 £'000
Operating leases				
within one year	104	160	98	71
in the second to fifth years	-	170	104	48
over five years	-	-	-	-
	<u>104</u>	<u>330</u>	<u>202</u>	<u>119</u>



# Greenwich Hospital

<b>21 Operating leases as lessor</b>	<b>2011-12</b>	2010-11
	<b>£'000</b>	£'000
<b>Investment property</b>		
The value of Investment property held for use in operating leases	<b>118,909</b>	112,056
In accordance with our policy on Investment property, no depreciation was charged.	-	-
The aggregate operating lease rentals receivable in respect of accounting period were	<b>5,921</b>	5,887
<b>Charitable property</b>		
The value of Charitable property held for use in operating leases was	<b>5,289</b>	5,405
Depreciation charged in year on these assets was	<b>116</b>	116
The aggregate operating lease rentals receivable in respect of accounting period were	<b>219</b>	219

## 22 Analysis of funds

	Accumulated fund £'000	Property revaluation £'000	Investments revaluation £'000	Total funds £'000
<b>Analysis of unrestricted fund movement</b>				
Balance at 1 April 2011	124,110	113,672	3,474	241,256
Net incoming resources	1,963	-	-	1,963
Gains on sale of investments	457	-	-	457
Revaluations	-	8,606	(192)	8,414
Revaluation reserves realised on sales	2,350	(186)	(2,164)	-
Movement in pension provision	(2,908)	-	-	(2,908)
<b>Balance as at 31 March 2012</b>	<b>125,972</b>	<b>122,092</b>	<b>1,118</b>	<b>249,182</b>

	Balance at 1 April 2011 £'000	Incoming resources £'000	Resources expended £'000	Balance at 31 March 2012 £'000
<b>Analysis of restricted fund movement</b>				
Houses, clubs and societies	139	547	538	148
Amenities fund	9	47	47	9
Bursary fund	232	50	-	282
Make music appeal	31	10	16	25
General	49	53	32	70
	<b>460</b>	<b>707</b>	<b>633</b>	<b>534</b>

All restricted funds are cash.

# Greenwich Hospital

## **23 Capital commitments**

As at 31 March 2012 no future capital expenditure were contracted out (2010-11: £0).

## **24 Grant commitments**

In March 2012, the Hospital agreed to make money available out of income for 2012-13 for the payment of Jellicoe annuities of £963k. The Hospital also agreed to pay bursaries for the academic year September 2012 to July 2013 totalling £2,450k which were approved for the 2012-13 financial year. These will be recognised in the 2013 financial statements.

## **25 Contingent liabilities**

The Hospital had no contingent liabilities at year end.

## **26 Post balance sheet event**

These financial statements were authorised for issue, on the date given on the Comptroller and Auditor General's Report, by the Director of Greenwich Hospital as its accounting officer.

On 3 July 2012 the Board made certain tentative decisions on previous capital expenditure which might give rise to a potential impairment in investment property in the order of £4.3m.

## **27 Related party transactions**

The Secretary of State for Defence is the Trustee of Greenwich Hospital and is supported in the exercise of his responsibilities by the Parliamentary Under-Secretary of State for Defence and delegates the administration of the Hospital to the Admiralty Board.

The Royal Navy Royal Marines Charity (RNRMC) is considered a related party due to the fact that Mr H Twiss was both a member of the Advisory Panel and Board of the Hospital and also a Trustee of the RNRMC. Greenwich Hospital undertakes part of its charitable activity, by issuing grants to the RNRMC for further distribution to Naval Charities. This arrangement is governed by a non binding Memorandum of Understanding. During 2011-12 £2,679k (2010-11: £2,275k) of grants have been made to RNRMC. No grants were unpaid at year end. All grant decisions were made at arm's length.

The Royal Navy Command Secretary, who chaired the Advisory Panel and was vice chairman of the Advisory Board in 2011, and who is part of the reporting line for Greenwich Hospital's Director to the Second Permanent Under Secretary of State for Defence, is married to Greenwich Hospital's Resources Director whose remuneration in 2011-12 was £72k (2010-11 £70k), and is included in the higher paid employees disclosure in note 9. Mr S Routh took over the duties of chairman from The Royal Navy Command Secretary in December 2011.

The Ministry of Defence is regarded as a related party and during the year has been reimbursed £14,570 for related costs of staff seconded to Greenwich Hospital.

The Royal Hospital School Enterprises Limited company is a subsidiary of the Hospital - see note 6.

Travers Foundation is considered a related party to Greenwich Hospital. Under the Armed Forces Act 1976, all funds of Travers Foundation are allowed to be used for the benefit of Greenwich Hospital. All cash funds are transferred to Greenwich Hospital for its exclusive use, but with the anticipation that Greenwich Hospital will finance any expenditure that Travers Foundation cannot fund through its ongoing activities. As such, the net amount transferred to Greenwich Hospital has been recorded as a creditor in these accounts.

# Greenwich Hospital

## 28 Financial instruments

FRS 29, Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Financial instruments include all investments made and cash held on short-term deposit. The key relevant risks are set out below.

Greenwich Hospital derives a significant proportion of its income from quoted investments. These are managed on the Hospital's behalf by professional fund managers. An independent Advisory Panel is appointed to formulate Greenwich Hospital's investment policy and to monitor its implementation, with the objective of safeguarding the Hospital's investment assets and of maximising total return from them. During 2011-12 the Hospital continued to require fund managers to perform against various different benchmarks appropriate to each fund.

### *Interest Rate Risk*

The Hospital has exposure to UK interest rate risk through its holding in bonds and cash balances.

### *Currency Risk*

The Hospital has exposure to currency risk through its holding in global equities. All the Hospital's holdings in bonds are hedged to sterling.

### *Market Price Risk*

The Hospital has exposure to changes in market prices through holding in UK and global equities and bonds.

### *Credit Risk*

The Hospital has exposure to credit risk through its holding in bonds and similar instruments.

All of the above risks are managed by the fund managers in conjunction with agreed targets as described above.

# Travers Foundation

## Statement of Trustee's and Director's responsibilities

The Secretary of State for Defence is the Trustee of Greenwich Hospital and answerable to Parliament for the affairs of Greenwich Hospital. The Trustee is supported in the exercise of his responsibilities by the Parliamentary Under-Secretary of State for Defence and charges the Admiralty Board with the administration of the Hospital which is overseen by the Director of Greenwich Hospital (DGH). The office of DGH is provided for by the Greenwich Hospital Act 1865 (s.20). DGH is appointed by the Trustee on the advice of the Admiralty Board. DGH is responsible by virtue of a Directive from Admiralty Board for the proper and effective conduct of the functions of Greenwich Hospital including the regularity and propriety of the Hospital's administration adhering faithfully to the spirit of the Charter and complying with the relevant statutes.

The Director is the accounting officer for Greenwich Hospital and is responsible for preparing the Annual Accounts for Travers Foundation and submitting them for audit. The Annual Accounts of the Travers Foundation are to be kept separate from those of Greenwich Hospital in accordance with Section 21 (3) of the Armed Forces Act 1976. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Travers Foundation and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

## Governance Statement

### Scope of responsibility

The Travers Foundation was originally established in 1725 by the will of Samuel Travers, for the payment of pensions to retired Lieutenants of the Royal Navy. The assets of the Foundation were transferred to the Admiralty by the Naval Knights of Windsor (Dissolution) Act 1892 and from them to the Secretary of State by the Defence (Transfer of Functions) Act 1964.

Since 1892 the Travers Foundation has been administered by Greenwich Hospital. In accordance with Section 21 of the Armed Forces Act 1976, the Foundation's Accounts are shown separately from those of the Hospital; although no Travers pensions are currently paid. By virtue of the Armed Forces Act 1976, the assets of the Foundation are treated as the property of Greenwich Hospital and the income can be applied for the general purposes of the Hospital.

As the Director of Greenwich Hospital and its Accounting Officer, I am responsible to the Secretary of State for Defence (SofS) in his capacity as the sole trustee of the Hospital, for

- maintaining an effective system of internal control that supports the achievement of the policies, aims and objectives of the Travers Foundation;
- safeguarding the funds and assets of the Travers Foundation;
- the regularity and propriety of the administration and expenditure of the Travers Foundation in accordance with the objects of the Foundation and the provisions of the relevant Acts of Parliament.

The Travers Foundation is therefore administered by Greenwich Hospital in accordance with the Hospital's principles and standards of governance, which are set out in Greenwich Hospital's Governance Statement on page 7 of these accounts.

### Review of the effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of managers within the Hospital who have responsibility for the development and maintenance of the internal control framework and the comments made by the external auditors in their management letter and other reports.

As Accounting Officer I am able to give a reasonable assurance on the effectiveness and current quality of internal control for the Travers Foundation.

*M J Sands*  
Director of Greenwich Hospital

5 July 2012

# Travers Foundation

## Audit Report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements of the Travers Foundation for the year ended 31st March 2012 under the Armed Forces Act 1976. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### Respective responsibilities of the Trustee, Director and Auditor

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

My responsibility is to audit and report on the financial statements in accordance with the Armed Forces Act 1976. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff 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 Travers Foundation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee and Director of Greenwich Hospital and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view, of the state of Travers Foundation's affairs as at 31 March 2012 and of the incoming resources and application of resources of Travers Foundation for the year then ended; and
- the financial statements have been properly prepared in accordance with the Armed Forces Act 1976 and the accounting policies set out within them.

### Opinion on other matters

In my opinion:

- the information given in the Annual Report and the Review of Achievements and Performance for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit;
- the Governance statement does not reflect compliance with HM Treasury's guidance.

### Report

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

9 July 2012

# Travers Foundation

## Statement of Financial Activities for the year ended 31 March 2012

	Note	2011-12 £	2010-11 £
<b>Incoming resources</b>			
<b>Investment income</b>			
Property		35,919	33,338
Investments		28,252	28,694
<b>Total incoming resources</b>		<b>64,171</b>	<b>62,032</b>
<b>Resources expended</b>			
<b>Investment costs</b>			
Property		12,292	23,073
Audit Fees		1,000	1,000
<b>Total resources expended</b>		<b>13,292</b>	<b>24,073</b>
<b>Net incoming resources before transfers and other recognised gains and losses</b>		<b>50,879</b>	<b>37,959</b>
<b>Other recognised gains/(losses)</b>			
Revaluation of investment properties	2	49,000	258,000
Revaluation of quoted investments	3	(14,068)	23,349
<b>Net movement in funds</b>		<b>85,811</b>	<b>319,308</b>
Total funds brought forward at 1 April 2011	8	3,843,459	3,524,151
<b>Total funds carried forward at 31 March 2012</b>		<b>3,929,270</b>	<b>3,843,459</b>

All activities are classed as continuing.

All recognised gains and losses are shown above.

*The notes on pages 36 to 38 form part of these accounts.*

# Travers Foundation

## Balance Sheet as at 31 March 2012

	Note	2012 £	2011 £
<b>Fixed assets</b>			
Investment property	2	<b>3,047,000</b>	2,998,000
Quoted investments	3	<b>730,101</b>	716,169
		<b><u>3,777,101</u></b>	<u>3,714,169</u>
<b>Current assets</b>			
Debtors	4	<b>152,805</b>	130,178
Cash at bank and in hand	5	<b>364</b>	112
		<b><u>153,169</u></b>	<u>130,290</u>
<b>Current liabilities (amounts falling due within one year)</b>	6	<b>1,000</b>	1,000
<b>Total assets less current liabilities</b>		<b><u>3,929,270</u></b>	<u>3,843,459</u>
<b>Funds</b>			
Unrestricted funds	8	<b><u>3,929,270</u></b>	<u>3,843,459</u>

*The notes on pages 36 to 38 form part of these accounts.*

*M J Sands*  
Director of Greenwich Hospital

5 July 2012

# Travers Foundation

## Cash Flow Statement for the year ended 31 March 2012

	Note	2011-12 £	2010-11 £
<b>Net cash inflow from operating activities</b>			
Net incoming resources		<b>50,879</b>	37,959
Increase in debtors		<b>(22,627)</b>	(10,265)
Increase in creditors		-	1,000
		<b>28,252</b>	28,694
<b>Investing activities</b>			
Payments to acquire investments	3	<b>(28,000)</b>	(47,288)
Receipts from sale of investments	3	-	18,622
		<b>(28,000)</b>	(28,666)
<b>Increase in cash and cash equivalents</b>	5	<b>252</b>	28

*The notes on pages 36 to 38 form part of these accounts.*



# Travers Foundation

## Notes to the Accounts for the year ended 31 March 2012

### 1 Accounting policies

#### *a Basis of accounting*

The accounts have been prepared under the historical cost convention as modified below. Due to the charitable nature of the majority of activities of Greenwich Hospital and Travers Foundation, the accounts have been prepared to materially comply with the underlying principles of the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005).

The accounts meet the accounting and disclosure requirements of the Companies Act and accounting standards issued or adopted by the Accounting Standards Board, so far as those requirements are considered to be appropriate.

#### *b Recognition of incoming resources*

Income is recognised in the period in which it is receivable. Rental increases arising as a result of rent reviews and lease negotiations are not recognised until negotiations are completed.

#### *c Outgoing resources*

All expenditure is charged in the period to which it relates.

#### *d Tangible and intangible fixed assets*

Freehold land and buildings held for investment purposes are shown at market value. The market value as at 31 March 2012 has been approved by the Director based upon valuations provided by the appointed Chartered Surveyors for the estates in line with RICS Red Book standards.

#### *e Fixed assets investments*

Quoted investments are shown at market value, the carrying value of all investments is at fair value and changes in fair value between accounting periods are charged or credited to equity. Cash deposits which are held with external investors are presented in the balance sheet as current assets. All other financial assets are presented as fixed assets.

The fair values of quoted investments are based on externally reported bid prices at the Balance Sheet date. Transaction costs or management support costs are not included in valuations. They are charged to expenditure in the period in which they are incurred.

#### *f Gains and losses*

In compliance with SORP 2005, surpluses and deficits on realisation of Quoted Investment assets are calculated as the difference between the sale price and the latest balance sheet valuation or cost if purchased during the year.

#### *g Cash and bank*

Cash held with external investors Newton is classified as current assets.

#### *h Payments*

Travers Foundation's policy is to pay its creditors for goods and services supplied by them in accordance with the terms negotiated with them.

# Travers Foundation

## 2 Investment property

Investment property comprises freehold land and buildings and is shown at market value as at 31 March 2012, as approved by the Director based upon valuations provided by Strutt & Parker, Chartered Surveyors of the property in Essex. All of the individuals who undertook valuations have the relevant knowledge, skills, qualifications and understanding to competently value the property. There has been no acquisitions or disposals during the financial year ending 31 March 2012.

<b>3 Quoted investments - Available for sale financial assets</b>	<b>2011-12</b>	2010-11
	£	£
Market value at 1 April 2011	<b>716,169</b>	664,154
Additions at cost	<b>28,000</b>	47,288
Value of investments sold	-	(18,622)
Unrealised (loss)/gain on revaluation	<b>(14,068)</b>	23,349
Market value at 31 March 2012	<b><u>730,101</u></b>	<u>716,169</u>

The book cost as at 31 March 2012 was £642,015

<b>4 Debtors</b>	<b>2011-12</b>	2010-11
	£	£
Amounts falling due within one year		
Due from Greenwich Hospital	<b>133,513</b>	113,467
Rents receivable	<b>19,292</b>	16,711
Accrued income	-	-
Prepayments	-	-
	<b><u>152,805</u></b>	<u>130,178</u>

<b>5 Cash at bank and in hand</b>	As at 31 March 2011	Cash flow	As at 31 March 2012
	£	£	£
Cash at bank and in hand	<u>112</u>	<u>252</u>	<u>364</u>

<b>6 Creditors</b>	<b>2011-12</b>	2010-11
	£	£
Amounts falling due within one year		
Accruals	<b><u>1,000</u></b>	<u>1,000</u>

<b>7 Operating leases as lessor</b>	<b>2011-12</b>	2010-11
	£	£
The value of investment assets held for use in operating leases	<b>3,047,000</b>	2,998,000
In accordance with our policy on investment assets, no depreciation was charged.	-	-
The aggregate operating lease rentals receivable in respect of accounting period were	<b>35,919</b>	33,338

# Travers Foundation

<b>8 Analysis of funds</b>	<b>2011-12</b>	<b>2010-11</b>
	<b>£</b>	<b>£</b>
<b>Analysis of unrestricted fund movement</b>		
Balance at 1 April	<b>3,843,459</b>	3,524,151
Net incoming resources	<b>50,879</b>	37,959
Revaluation of investment properties	<b>49,000</b>	258,000
Revaluation of quoted investments	<b>(14,068)</b>	23,349
<b>Balance as at 31 March</b>	<b><u>3,929,270</u></b>	<b><u>3,843,459</u></b>

## 9 Post balance sheet event

These financial statements were authorised for issue, on the date given on the Comptroller and Auditor General's Report, by the Director of Greenwich Hospital as its accounting officer.

There have been no events since the end of the financial year which would affect the understanding of the financial statements.

## 10 Related party transactions

The Secretary of State for Defence is the Trustee of Greenwich Hospital and is supported in the exercise of his responsibilities by the Parliamentary Under-Secretary of State for Defence and delegates the administration of the Hospital to the Admiralty Board.

Greenwich Hospital is considered a related party to Travers Foundation. Under the Armed Forces Act 1976, all funds of Travers Foundation are allowed to be used for the benefit of Greenwich Hospital. All cash funds are transferred to Greenwich Hospital for its exclusive use, but with the anticipation that Greenwich Hospital will finance any expenditure that the Travers Foundation cannot fund through its ongoing activities. As such, the net amount transferred to Greenwich Hospital has been recorded as a debtor in these accounts.

## 11 Financial instruments

FRS 29, Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Financial instruments include all investments made and cash held on short-term deposit. The key relevant risks are set out below.

Travers Foundation derives a significant proportion of its income from quoted investments. These are managed on the Hospital's behalf by professional fund managers. An independent Advisory Panel is appointed to formulate Greenwich Hospital's investment policy and to monitor its implementation, with the objective of safeguarding the Hospital's investment assets and of maximising total return from them. During 2011-12 the Hospital continued to require fund managers to perform against various different benchmarks appropriate to each fund.

### *Interest Rate Risk*

Travers Foundation has exposure to UK interest rate risk through its holding in cash balances.

### *Currency Risk*

Travers Foundation has exposure to currency risk through its holding in the Global Growth and Income Fund.

### *Market Price Risk*

Travers Foundation has exposure to changes in market prices through holding in the Global Growth and Income Fund.

All of the above risks are managed by the fund managers in conjunction with agreed targets as described above.











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