

Accounts of Greenwich Hospital and the Foundation of Samuel Travers, Esquire, showing the Statement of Financial Activities for the year ended 31 March 2008 and Balance Sheet as at 31 March 2008, together with the Report of the Comptroller and Auditor General thereon (in continuation of House of Commons Paper No. 1106 2000-01).

Presented pursuant to Acts 28 & 29 Vict., c.89, ss. 47 & 49 and Armed Forces Act 1976 c. 52

Greenwich Hospital and Travers Foundation Accounts 2007-2008

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 14 JULY 2008

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Foreword

History and Background of Greenwich Hospital

Greenwich Hospital was established by Royal Charter in 1694 as a home for retired seamen and to provide support for seamen's widows and education for their children. The Hospital closed in 1869 and, from 1873 to 1998, the buildings of the Hospital at Greenwich were rented for use by the Royal Naval College. Since July 1998, following the departure of the Royal Naval College, the buildings have been leased to the Greenwich Foundation for the Old Royal Naval College, a new charity set up to administer them, and are now occupied by the University of Greenwich and Trinity College of Music as tenants of the Foundation.

The Hospital continues to thrive today. It still pays pensions and devotes funds to the education of children, especially at the Royal Hospital School founded in Greenwich in 1712 and moved to Holbrook, near Ipswich, in 1933. The Hospital provides sheltered housing for elderly people in Greenwich, Portsmouth and Plymouth and pays grants to other naval charities. The costs of these charitable activities are met from the income derived from properties and investments held for the exclusive benefit of the Hospital by the Secretary of State for Defence, as sole Trustee, on behalf of Her Majesty.

Travers Foundation

This 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 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.

Reade Foundation

This Foundation consists of an estate at Holbrook, in Suffolk, of about 850 acres, left in the will of Mr G S Reade for the exclusive and unrestricted use of Greenwich Hospital. The Royal Hospital School occupies part of the estate, while the remainder is let.

Reade Accumulation Fund

In addition to the above, under Mr Reade's will a further £100,000 was bequeathed and has been maintained as a cumulative investment. Part of this Accumulation Fund is now being used to fund capital expenditure at the Royal Hospital School and part has been reserved to accumulate further.

M J Sands

Director of Greenwich Hospital

7 July 2008

Review of Activities

I am pleased to report that Greenwich Hospital has maintained the broader charitable support that it has been providing for the past five years. The Statement of Financial Activities for the year shows net incoming resources of £177k (outflow in 2006-07 – £925k). The net movement in funds was a decrease in the net assets of £6,498k as a result of a sharp decrease in the Stock Markets which was partially offset by gains realised during the year and the revaluation of the investment property.

Throughout the year, the Hospital continued to pay charitable pensions at £12 a week to some 1,300 needy former seafarers or their widows through its longstanding co-operation with the Royal Naval Benevolent Trust. The Hospital has continued to pay donations in support of the work of the Royal Naval Benevolent Trust and the Royal Navy and Royal Marines Children's Fund on behalf of former and serving sailors and their families. These donations amounted to respectively £284k and £440k in 2007-08. Additionally donations were made to the Women's Royal Naval Benevolent Trust, £31.6k, and the Royal Sailors' Rests, £42k.

The Hospital continues to fund legal and professional fees incurred in establishing the Royal Navy & Royal Marines Charity totalling £137.5k in 2007-08. This charity is now well advanced in the process of carrying out the Admiralty Board's directive to rationalise naval charity. Through these pensions, donations and general support, the Hospital contributed some £1,754k to its Royal Navy beneficiaries in 2007-08, an increase of £17k to the total in the previous year.

The Royal Hospital School is continuing to develop a new strategic direction designed to attract more full fee paying pupils to the school. The recruitment of day pupils has been particularly successful and of the 634 boys and girls attending, 34 are day pupils. The School has continued to achieve good examination results and compares favourably with the regional competition.

The Hospital has made further progress towards rebalancing its charitable outputs, as directed by the Admiralty Board, by reducing the number of new bursaries awarded from the start point of 77 in 2004 to 30 in 2007. 25 bursaries have been awarded for entry in September 2008. In 2007-08 the Hospital provided £5,391k (2006-07 – £5,312k) towards meeting the day-to-day capital and running costs of the School, mainly through subsidies and bursaries for the children and grandchildren of seafarers, assessed according to their charitable need and financial circumstances.

The programme of refurbishing all 10 boarding houses and boarding house staff accommodation is progressing smoothly, with three of the boarding houses now completed and work on the fourth due to finish in Summer 2008. Building on the strong musical tradition of the School the new high quality music school is due for completion in Autumn 2008. In 2007-08 the Hospital provided £3,767k (2006-07 – £3,226k) towards its £18m contribution to the overall building programme.

Work has continued on developing proposals for the regeneration of the Hospital's core properties in Greenwich with a view to improving them to a standard appropriate to their position at the heart of a World Heritage Site. The Hospital has maintained the process of public consultation with key stakeholders, residents and other interested parties in the Greenwich community, including a public exhibition of a preferred option for regeneration in October 2007. The Hospital now intends to submit a planning application for the market area in Autumn 2008.

During the year the Government has made a commitment to enhance transparency with Parliament and the public about action to safeguard information. During 2007-08 Greenwich Hospital has been unaware of any incidents that have resulted in the unauthorised disclosure of protected personal data. We are similarly unaware of any such incidents that have arisen during the period 2004-05 to 2006-07.

M J Sands

Director of Greenwich Hospital

7 July 2008

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. The latter is appointed by the Trustee on the advice of the Admiralty Board.

The Director has responsibility (Section 47 of the Greenwich Hospital Act 1865, as amended by Section 4 of the Greenwich Hospital Act 1885) for preparing the Annual Accounts for Greenwich Hospital and the 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.

Both sets of accounts are to be prepared according to applicable accounting standards to give a true and fair view of transactions and the position at the end of each financial year.

Statement on Internal Control

1. Scope of responsibility

As Accounting Officer for Greenwich Hospital and the Travers Foundation, I am responsible for maintaining an effective system of internal control that supports the achievement of the aims and objectives of Greenwich Hospital and the Travers Foundation, whilst safeguarding their assets.

2. The purpose of the system of internal control

The system of internal control has been in place in Greenwich Hospital for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts and accords with Treasury guidance. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the aims and objectives of Greenwich Hospital and the Travers Foundation; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on a continuing process that is designed to identify the principal risks to the achievement of the aims and objectives of Greenwich Hospital and the Travers Foundation, to evaluate the nature and extent of those risks, the likelihood of those risks being realized and the impact should they be realized, and to manage them efficiently, effectively and economically. Greenwich Hospital and the Travers Foundation have continued to develop their internal control system during the year.

3. The risk and control framework

Greenwich Hospital has completed improving its accounting procedures with a new accounting system and reporting routine. 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. A new asset allocation has been adopted to generate a more reliable income at lower risk. A Risk Register is maintained which identifies the key risks. The Hospital is now undertaking management validation as an alternative to internal audit reviews.

4. Effectiveness of the system of internal control

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

7 July 2008

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of Greenwich Hospital for the year ended 31 March 2008 under the Greenwich Hospital Act 1865. These 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, the Director and the Auditors

The Director, as Accounting Officer, is responsible for preparing the Review of Activities, the Foreword and the financial statements in accordance with the Greenwich Hospital Act 1865. These responsibilities are set out in the Statement of Trustee's and Director's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland). I have been appointed as auditor by the Greenwich Hospital Act 1865.

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Greenwich Hospital Act 1865. I report to you whether, in my opinion, certain information given in the Review of Activities is consistent with the financial statements.

In addition, I report to you if Greenwich Hospital has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Greenwich Hospital's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of Greenwich Hospital's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Review of Activities and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Greenwich Hospital's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Greenwich Hospital Act 1865, of the state of Greenwich Hospital's affairs as at 31 March 2008 and of its incoming resources and application of resources for the year then ended;
- the financial statements have been properly prepared in accordance with the Greenwich Hospital Act 1865; and
- information given within the Review of Activities is consistent with the financial statements.

Report

I have no observations to make on these financial statements

T J Burr
Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

9 July 2008

Greenwich Hospital Statement of Financial Activities for the Year Ended 31 March 2008

	Notes	2007-08 £'000	2006-07 £'000
Incoming resources			
Net income from property	2	3,172	3,232
Net income from investments	3	4,557	3,633
Bank interest receivable		153	160
Other income		45	1
Total incoming resources		7,927	7,026
Resources expended			
Net Royal Hospital School expenses	4	5,047	5,053
Net sheltered housing expenses		108	202
Pensions and educational grants	5	819	827
Donations to naval charities		935	910
Other charitable donations		33	20
Net resources expended		6,942	7,012
Headquarters administration	6	808	939
Net incoming/(outgoing) resources before transfers and other recognised gains and losses			
		177	(925)
Interest on pension liabilities	14	(825)	(782)
Actuarial gain on pension scheme	14	1,617	1,302
Gain on realisation of assets			
Investment properties		1,062	328
Quoted investments		234	321
Revaluation of assets			
Investment properties	7	1,809	19,816
Quoted investments	10	(10,583)	2,948
Other reserves	21	11	120
Net movement in funds		(6,498)	23,128
Balance at 1 April 2007		256,691	233,563
Total fund balances at 31 March 2008		250,193	256,691

All activities are classed as continuing.
All recognised gains and losses are shown above.

The notes on pages 11 to 25 form part of these accounts

Greenwich Hospital

Balance Sheet as at 31 March 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Tangible assets			
Investment property (estimated market value)	7	140,708	142,181
Royal Hospital School, Holbrook	8	21,426	18,211
Sheltered housing	8	5,752	5,868
Other tangible assets	9	911	876
		168,797	167,136
Quoted investments at market value	10	88,627	102,131
Total fixed assets		257,424	269,267
Current assets			
Debtors, rents receivable and prepayments	11	1,838	1,785
Current asset investments	12	2,822	1,746
Cash at bank and in hand	20	5,742	1,937
		10,402	5,468
Current liabilities (amounts falling due within one year)			
Creditors	13	(3,409)	(3,016)
Net current assets		6,993	2,452
Total assets		264,417	271,719
Pension provision	14	(14,209)	(15,008)
Other provision	22	(15)	(20)
Net assets		250,193	256,691
Funds			
Unrestricted funds	21	250,193	256,691

The cashflow statement on page 10 and notes on pages 11 to 25 form part of these accounts

M J Sands
Director of Greenwich Hospital

7 July 2008

Greenwich Hospital Cash Flow Statement for the Year Ended 31 March 2008

	Notes	2007-08 £'000	2006-07 £'000
Net cash outflow from operating activities	19	(6,077)	(6,505)
Returns on investments			
Investment interest received		2,592	1,707
Dividends received		2,247	2,432
Fund management fees		(411)	(499)
Rent received from investment property		5,649	4,941
Expenses paid on investment property		(2,529)	(1,746)
		7,548	6,835
Non charitable capital and financial investment expenditure			
Payments to acquire investments	10	(44,034)	(41,343)
Receipts from sale of investments		47,189	39,669
Payments to acquire or improve property	7	(1,849)	(2,844)
Receipts from sale of property and other capital receipts		6,193	2,715
		7,499	(1,803)
Charitable capital expenditure			
Payments to acquire or improve property	8	(3,767)	(3,227)
Payments to acquire other tangible fixed assets	9	(344)	(295)
Receipts from sale of other tangible fixed assets		22	32
		(4,089)	(3,490)
Management of liquid resources	20	(1,076)	1,164
Increase/(decrease) in cash	20	3,805	(3,799)

We have split the cashflow statement between investing and charitable activities to provide the reader of the accounts with more information about the Hospital's activities.

The notes on pages 11 to 25 form part of these accounts

Accounting Policies (continued)

Assets under construction are shown on the basis of cash expended to date. Depreciation is not charged until the asset is in use.

Pension schemes

Teaching staff at the Royal Hospital School are members of the Teachers' Superannuation Scheme (a defined benefit scheme) administered by the Teachers' Pension Agency to which contributions are made by both employer and employees.

Greenwich Hospital operates an unfunded, contracted out non-contributory pension scheme to provide retirement and related benefits to all eligible employees. 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 or seconded Civil Servants.

Cash and bank

The Hospital maintains a bank account with the Paymaster General 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.

Liquid resources

Current Asset Investments comprise cash deposits held by investment managers.

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.

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.

2 Net rental income

	Income	Expenditure	Surplus	Surplus
	£'000	£'000	2007-08	2006-07
			£'000	£'000
Greenwich estate	3,816	2,067	1,749	2,007
Northern estates	560	277	283	212
Holbrook estate	123	73	50	52
London property	118	-	118	158
Pollen estate	852	1	851	686
Property unit trust	132	11	121	117
Total	5,601	2,429	3,172	3,232

Expenditure of £2,429k includes £1,086k of professional fees, mainly property agents. The remaining costs comprise mainly repairs and maintenance and other property costs.

3 Income from investments

	2007-08	2006-07
	£'000	£'000
General investments		
UK equities	2,247	2,248
UK fixed interest	1,508	1,440
Overseas investments	532	202
Cash instruments	561	168
Reade Foundation		
Accumulation fund	98	81
Total income from investments	4,946	4,139
Less: Investment managers' fees	(389)	(506)
Net income from investments	4,557	3,633

4 Royal Hospital School

	2007-08	2006-07
	£'000	£'000
Income		
School fees	6,160	5,616
Incidental charges	176	134
Supplementary income	279	204
Income from lettings and hire of facilities	280	305
	6,895	6,259
Expenditure		
Teachers' salaries	4,188	4,023
Support staff salaries	3,069	3,074
Academic	429	420
Catering	952	1,043
Clothing, bedding, general stores	159	166
Pupils' welfare	17	16
Premises	1,371	1,228
Administration	409	339
Professional and legal fees	76	10
Marketing and publicity	119	119
Letting costs	115	84
Depreciation	802	630
(Gain)/loss on disposal of fixed assets	(11)	(11)
Supplementary expenses	247	171
	11,942	11,312
Excess of expenditure over income	5,047	5,053

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

Royal Hospital School Enterprises Limited was incorporated on 31 March 2008 to take over the non-educational activities of the Royal Hospital School with effect from 1 April 2008. The Company is wholly owned by the sole trustee of Greenwich Hospital and it is intended that any profits will be passed to the Hospital for the benefit of the School.

5 Pensions and educational grants

	2007-08	2006-07
	£'000	£'000
Pensions to widows	3	3
Educational grants	5	13
Charitable pensions (Jellicoe annuities)	811	811
	819	827

6 Headquarters administration

	2007-08	2006-07
	£'000	£'000
Salaries and wages	525	589
Pensions administration	20	23
Audit fee	33	35
Professional, legal and consultancy fees	55	152
Depreciation	40	38
Office expenses	135	102
	808	939

7 Investment property

	Holbrook Estate £'000	Pollen Estate £'000	London Property £'000	Greenwich Estate £'000	Northern Estates £'000	Property Unit Trust £'000	Total £'000
Valuation at 1 April 2007	4,908	26,669	2,475	80,716	23,476	3,937	142,181
Additions	-	64	-	1,785	-	-	1,849
Disposals	(170)	-	-	(1,004)	(3,957)	-	(5,131)
Revaluation	856	2,276	(225)	(11,389)	10,949	(658)	1,809
Valuation at 31 March 2008	5,594	29,009	2,250	70,108	30,468	3,279	140,708

At 31 March 2008, the Hospital held a 10.2257% 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 2007 and this has been used as the basis for the value of the Hospital's interest in the estate as at 31 March 2008.

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.

Other investment property comprises freehold land and buildings and is shown at market value as at 31 March 2008, as approved by the Director based upon informal valuations provided by the appointed Chartered Surveyors for the estates. The property agents NB Real Estate provided a valuation of the Greenwich Estate, the property agents Smiths Gore provided a valuation of the Northern Estates and Strutt & Parker provided a valuation of the Holbrook Estate. Hunters Property Investment Limited provided a valuation for the London Property.

8 Charitable property

	Royal Hospital School				
	Buildings under construction £'000	Buildings in use £'000	Total £'000	Sheltered Housing £'000	Total £'000
Cost at 1 April 2007	1,716	19,299	21,015	6,729	27,744
Additions	156	3,611	3,767	–	3,767
Cost at 31 March 2008	1,872	22,910	24,782	6,729	31,511
Depreciation at 1 April 2007			2,804	861	3,665
Charge for the year			552	116	668
Depreciation at 31 March 2008			3,356	977	4,333
Net book value at 31 March 2008			21,426	5,752	27,178
Net book value at 31 March 2007			18,211	5,868	24,079

The Royal Hospital School occupies approximately 150 acres of the Holbrook Estate. The School has been valued by an independent firm of valuers at £31m as at 31 March 2005, on the basis of its existing use. 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.

9 Other tangible assets

Royal Hospital School

	Motor Vehicles £'000	Plant and Machinery £'000	Office Equipment & Improve- ments £'000	Educational Equipment £'000	Furniture £'000	Total £'000
Cost at 1 April 2007	282	720	19	820	59	1,900
Additions	–	198	–	146	–	344
Disposals	(22)	(2)	–	(62)	(10)	(96)
Cost at 31 March 2008	260	916	19	904	49	2,148
Depreciation at 1 April 2007	191	390	19	600	55	1,255
Charge for the Year	32	108	–	106	3	249
Released on Disposal	(22)	(1)	–	(52)	(10)	(85)
Depreciation at 31 March 2008	201	497	19	654	48	1,419
Net Book Value at 31 March 2008	59	419	–	250	1	729
Net Book Value at 31 March 2007	91	330	–	220	4	645

9 Other tangible assets (continued)

	Motor Vehicles	Plant and Machinery	Office Equipment & Improve- ments	Educational Equipment	Furniture	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Other locations						
Cost at 1 April 2007	70	3	186	–	160	419
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Cost at 31 March 2008	70	3	186	–	160	419
Depreciation at 1 April 2007	65	3	75	–	45	188
Charge for the Year	5	–	31	–	13	49
Released on Disposal	–	–	–	–	–	–
Depreciation at 31 March 2008	70	3	106	–	58	237
Net Book Value at 31 March 2008	–	–	80	–	102	182
Net Book Value at 31 March 2007	5	–	111	–	115	231
Total						
Cost at 1 April 2007	352	723	205	820	219	2,319
Additions	–	198	–	146	–	344
Disposals	(22)	(2)	–	(62)	(10)	(96)
Cost at 31 March 2008	330	919	205	904	209	2,567
Depreciation at 1 April 2007	256	393	94	600	100	1,443
Charge for the Year	37	108	31	106	16	298
Released on Disposal	(22)	(1)	–	(52)	(10)	(85)
Depreciation at 31 March 2008	271	500	125	654	106	1,656
Net Book Value at 31 March 2008	59	419	80	250	103	911
Net Book Value at 31 March 2007	96	330	111	220	119	876

In addition to the tangible fixed assets included in the balance sheet, Greenwich Hospital owns over 600 works of art and artefacts. 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. In accordance with the provisions of the Charities SORP 2005 (Paragraph 283(a)), these assets are not capitalised.

10 Quoted investments

	2007-08 £'000	2006-07 £'000
Market value at 1 April 2007	102,131	97,188
Additions at cost	44,034	41,343
Value of investments sold	(46,955)	(39,348)
Unrealised (loss)/profit on revaluation	(10,583)	2,948
Market value at 31 March 2008	88,627	102,131

Investments are made up as follows:

	Market value 2007-08 £'000	Market value 2006-07 £'000
UK equities	37,668	53,623
UK fixed interest	25,833	27,309
Overseas investments	17,566	10,773
Cash instruments	7,560	10,426
	88,627	102,131

	Cost Price £'000	Market value 2007-08 £'000	Market value 2006-07 £'000
General fund	40,778	37,668	53,623
Sterling income fund	25,313	23,352	24,727
Reade accumulation fund	1,929	2,481	2,582
Global equity fund	16,896	17,566	10,773
HSBC Libor +50	10,277	7,560	10,426
	95,193	88,627	102,131

11 Debtors

	2007-08	2006-07
	£'000	£'000
Amounts falling due within one year		
School fees receivable	117	114
Rents receivable	1,332	1,264
Other debtors	131	136
Prepayments	258	271
	1,838	1,785

12 Current asset investments

	2007-08	2006-07
	£'000	£'000
General fund	2,787	1,739
Reade fund	35	7
	2,822	1,746

13 Creditors

	2007-08	2006-07
	£'000	£'000
Amounts falling due within one year		
Trade creditors	959	624
School fees and related amounts received in advance	212	129
Rents received in advance	682	729
Taxes payable	65	85
Other creditors	870	773
Accrued charges	621	676
	3,409	3,016

14 Pension provision

	2007-08 £'000	2006-07 £'000
Balance at 1 April 2007	15,008	15,292
Employee transfer of benefit	19	–
Decrease in provision	(818)	(284)
Balance at 31 March 2008	<u>14,209</u>	<u>15,008</u>

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 2008 by an independent qualified actuary.

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.

	2007-08	2006-07
Rate of increase in inflation (RPI)	3.70%	3.20%
Rate of increase in pension	3.70%	3.20%
Rate of increase in deferred pensions	3.70%	5.40%
Rate of increase of pensionable salaries including merit increases	5.20%	4.70%
Discount rate	6.90%	5.40%

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

Analysis of the amount that has been charged to operating expenditure in the SOFA

	2007-08 £'000	2006-07 £'000
Current service cost	(546)	(676)
Past service cost	–	–
Settlement loss	–	–
Total operating charge	<u>(546)</u>	<u>(676)</u>

Analysis of the amount that has been debited to other financial costs

	2007-08 £'000	2006-07 £'000
Expected return on assets	–	–
Interest on liabilities	(825)	(782)
Net return	<u>(825)</u>	<u>(782)</u>

14 Pension provision (continued)**Analysis of the amount that has been recognised in the SOFA as actuarial gain**

	2007-08	2006-07
	£'000	£'000
(Loss)/gain on liabilities	(695)	300
Changes in assumptions	2,312	1,002
Actuarial gain recognised in SOFA	1,617	1,302

Movement of liability during the year

	2007-08	2006-07
	£'000	£'000
Liability at beginning of the year	15,008	15,292
Plus movement during year:		
Current service cost	546	676
Pension payments made during the year	(628)	(492)
Employees' contributions	56	52
Employee transfer of benefit	19	-
Other financial costs	825	782
Actuarial gain	(1,617)	(1,302)
Liability at end of the year	14,209	15,008

History of experience gains and losses

	2007-08	2006-07
	£'000	£'000
Experience gains on liabilities:		
Amount (£'000)	(695)	300
Percentage of liabilities	(4.9%)	2.0%
Total amount recognised in SOFA:		
Amount (£'000)	1,617	1,302
Percentage of liabilities	11.4%	8.7%

A small number of members of the Greenwich Hospital pension scheme have chosen the defined contribution option.

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 2007-08 the rate was 14.1%. For 2006-07 employer's contributions of £488,200 were payable to the Scheme (2006-07 – £442,099).

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.

15 Operating lease commitments

	2007-08	2006-07
	£'000	£'000
Plant and machinery:		
within one year	81	66
in the second to fifth years	74	114
Land and Buildings:		
within one year	84	78
in the second to fifth years	251	335
	490	593

16 Capital commitments

As at 31 March 2008 there were £3,629,860 (2006-07 – £233,015) of future capital expenditure contracted for but not provided for in the accounts.

17 Staff costs

	2007-08	2006-07
	£'000	£'000
Total staff costs were as follows:		
Salaries and wages	6,406	6,287
Social security costs	492	486
Pension costs	1,039	1,133
	7,937	7,906
Composed of:		
Royal Hospital School	7,257	7,097
Headquarters administration	525	589
Sheltered housing	54	54
Northern estates	48	153
Greenwich estate	53	13
	7,937	7,906
The remuneration of the Director of the Hospital, M J Sands was as follows:		
	£	£
Salary	67,793	11,250
Employer's pension cost	-	-
	67,793	11,250

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 Director opted not to join the pension scheme in this financial year. Prior year salary only for period of 2 months.

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

18 Staff numbers

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

	2007-08	2006-07
£60,000 to £69,999	3	3
£90,000 to £99,999	2	1

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

Royal Hospital School	217	221
Headquarters administration	12	12
Sheltered housing	3	3
Northern estates	2	2
Greenwich estate	2	2
	236	240

19 Reconciliation of operating deficit to cash flow

	2007-08	2006-07
	£'000	£'000
Net surplus/(deficit)	177	(925)
Movement of pension liability during the year	(7)	236
Movement of other reserves	11	120
Depreciation	966	788
Profit on sale of tangible fixed assets	(11)	(13)
Decrease in debtors	15	275
Increase/(decrease) in creditors	506	(116)
Decrease in other provision	(5)	(5)
Net investment income	(4,557)	(3,633)
Net rental income	(3,172)	(3,232)
	(6,077)	(6,505)

20 Analysis of changes in cash balances

	As at 31 March 2007 £'000	Cashflow £'000	As at 31 March 2008 £'000
Current asset investments	1,746	1,076	2,822
Cash at bank & in hand	1,937	3,805	5,742
	<u>3,683</u>	<u>4,881</u>	<u>8,564</u>

21 Movement in funds

	Accumulated Fund £'000	Property Revaluation £'000	Investments Revaluation £'000	Other Reserves £'000	Total Funds £'000
Balance at 1 April 2007	120,607	126,442	9,364	278	256,691
Net surplus for the year	177	-	-	-	177
Gains on sale of investment properties	1,062	-	-	-	1,062
Gains on sale of investments	234	-	-	-	234
Revaluations	-	1,809	(10,583)	-	(8,774)
Revaluation reserves realised on sales	8,117	(5,131)	(2,986)	-	-
Movement in pension provision	792	-	-	-	792
Movement in other reserves	-	-	-	11	11
Accumulated Fund as at 31 March 2008	<u>130,989</u>	<u>123,120</u>	<u>(4,205)</u>	<u>289</u>	<u>250,193</u>

Although the Schroders Exempt Property Unit Trust is accounted for as an investment in property, its revaluation is included in the Investments Revaluation Reserve.

22 Other provision

Provision has been made for the agreed settlement arising from an Office of Fair Trading investigation into school fees, under which an ex-gratia payment of £24,595 is to be made to an educational charitable trust in five equal annual amounts, commencing in 2006.

23 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 Ministry of Defence is regarded as a related party and during the year has been reimbursed £11,485 for related costs of staff seconded to Greenwich Hospital.

24 Post balance sheet event

The 2007-08 Greenwich Hospital and Travers Foundation financial statements were authorised to be issued by the Accounting Officer on 7 July 2008.

25 Financial instruments

FRS 13, Derivatives and Other 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.

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 2007-08 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 its 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.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of Travers Foundation for the year ended 31 March 2008 under the Armed Forces Act 1976. These 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 Director and the Auditors

The Director, as Accounting Officer, is responsible for preparing the Review of Activities, the Foreword and the financial statements in accordance with the Armed Forces Act 1976. These responsibilities are set out in the Statement of Trustee's and Director's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland). I have been appointed as auditor by the Armed Forces Act 1976.

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Armed Forces Act 1976. I report to you whether, in my opinion, certain information given in the Review of Activities is consistent with the financial statements.

In addition, I report to you if Travers Foundation has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Travers Foundation compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of Travers Foundation's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Review of Activities and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Travers Foundation's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Armed Forces Act 1976, of the state of Travers Foundation's affairs as at 31 March 2008 and of its incoming resources and application of resources for the year then ended;
- the financial statements have been properly prepared in accordance with the Armed Forces Act 1976; and
- information given within the Review of Activities is consistent with the financial statements.

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

9 July 2008

Travers Foundation Statement of Financial Activities for the year Ended 31 March 2008

	2007-08	2006-07
	£	£
Income from investments		
Gross property income	26,667	25,730
Gross investment income	23,446	20,133
Management and administration costs	(6,059)	(5,929)
Net surplus for the year	44,054	39,934
Net increase/(decrease) on revaluation of assets		
Property	453,675	130,500
Investments	(42,674)	24,444
Net movement in funds	455,055	194,878
Balance at 1 April 2007	2,327,197	2,132,319
Total fund balances at 31 March 2008	2,782,252	2,327,197

All activities are classed as continuing.

All recognised gains and losses are shown above.

The notes on pages 31 to 32 form part of these accounts.

Travers Foundation

Balance Sheet as at 31 March 2008

	Notes	2008 £	2007 £
Fixed Assets			
Investment property (estimated market value)	4	2,066,175	1,612,500
Quoted investments at market value	7	620,135	646,097
		2,686,310	2,258,597
Current assets			
Debtors	5	88,129	67,521
Cash at bank and in hand	3	7,813	1,079
		95,942	68,600
Current liabilities (amounts falling due within one year)			
Creditors	6	–	–
Total assets		2,782,252	2,327,197
Funds			
Unrestricted funds		2,782,252	2,327,197

The cashflow statement on page 30 and notes on pages 31 to 32 form part of these accounts

M J Sands
Director of Greenwich Hospital

7 July 2008

Travers Foundation Cash Flow Statement for the Year Ended 31 March 2008

	Notes	2007-08	2006-07
		£	£
Net cash inflow from operating activities	2	23,446	20,132
Investing activities			
Payments to acquire investments		(16,775)	(20,368)
Receipts from sale of investments		63	65
		(16,712)	(20,303)
Increase/(decrease) in cash and cash equivalents	3	6,734	(171)

The notes on pages 31 to 32 form part of these accounts

Travers Foundation Notes to the Accounts

1 Accounting policies

The Accounts of both Greenwich Hospital and the Travers Foundation are prepared under the historical cost convention as modified to include the revaluation of property and investments.

Where they are considered to be relevant to the Travers Foundation, the accounting policies followed are those prescribed in Note 1 to the Greenwich Hospital Accounts.

2 Reconciliation of net surplus to cash flow

	2007-08	2006-07
	£	£
Net surplus for the year	44,054	39,934
Increase in debtors	(20,608)	(19,802)
	<u>23,446</u>	<u>20,132</u>

3 Analysis of changes in cash balances

	As at 31 March 2007 £'000	Cashflow £'000	As at 31 March 2008 £'000
Cash at bank and in hand	1,079	6,734	<u>7,813</u>

4 Property valuation

The property in Essex is shown at market value on 31 March 2008, which has been determined by Strutt and Parker.

5 Debtors

	2007-08	2006-07
	£	£
Amounts falling due within one year		
Due from Greenwich Hospital	88,129	67,521
Rents receivable	-	-
	<u>88,129</u>	<u>67,521</u>

6 Creditors

	2007-08	2006-07
	£	£
Amounts falling due within one year		
Creditors	-	-
	<u>-</u>	<u>-</u>

7 Quoted investments

	2007-08	2006-07
	£	£
Market value at 1 April 2007	646,097	601,350
Additions at cost	16,775	20,368
Value of investments sold	(63)	(65)
Unrealised (loss)/profit on revaluation	(42,674)	24,444
Market value at 31 March 2008	<u>620,135</u>	<u>646,097</u>

The original cost of these investments was £486,021.



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