

Greenwich Hospital and Travers Foundation Accounts 2013-2014

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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

1 Administrative Information

Patron:

HRH The Duke of York, KG

Sole Trustee:

Secretary of State for Defence

Director and Accounting Officer:

Hugh Player

Principal Address:

Gate House
1 Farringdon Street
Ludgate Circus
London
EC4M 7LG

Websites:

www.grenhosp.org.uk

www.royalhospitalschool.org.uk

During 2013/14 the members of the Advisory Board were

Vice-Admiral David Steel	Chairman (from November 2013)
Liz Cassidy	Deputy Chairman -MOD (Until July 2013)
Giles Ahern	Deputy Chairman -MOD (From August 2013)
Hugh Player	Director Greenwich Hospital
Stuart Beevor	Property Member
Ian Harwood	Investment Member
Richard Hunting	Business Member
Malcolm Naish	Property Member
Matthew Thorne	Finance Member
Caroline Thynne	Legal Member
Christopher Tite	Legal Member

During 2013/14 the members of the Advisory Panel were

Liz Cassidy	Chairman - MOD (Until July 2013)
Giles Ahern	Chairman -MOD (From Aug 2013)
Hugh Player	Director Greenwich Hospital
Malcolm Naish	Property Member
Ian Harwood	Investment Member
Matthew Thorne	Finance Member

During 2013/14 the members of the School Governing Body were

Henry Strutt	Chairman
John Gamp	Clerk in Charge Greenwich Hospital
Valerie Bidwell	
James Lynas	
Thomas Hill	
Penny Marshall	
Henry Jones	
Elisabeth Todd	
Andrew Tate	
Kevin Beaton	
Hector Wykes-Sneyd	

Greenwich Hospital

Auditors

The Comptroller and Auditor General
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London SW1W 9SP

Reporting Accountants

Larking Gowen Limited
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Great Blakenham
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Bankers

Government Banking Service
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Southern House
Wellesley Grove
Croydon
CR9 1WW

HSBC Bank plc
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London WC2E 8JF

Property Managers

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Great Blakenham
London EC2V 7BP

Smiths Gore
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Ipswich IP1 1HH

Drivers Jonas Deloitte
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London EC4A 3BQ

Sheltered Housing Managers

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Portsmouth PO1 2RH

Investment Managers

Newton
Investment Management Limited
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London EC4V 4LA

Actuaries

First Actuarial LLP
The Square, Basing View,
Basingstoke, Hampshire,
RG21 4EB.

During 2013/14 the Senior Staff were:

Hugh Player
John Gamp
Edward Dolby
Peter Linstead Smith
James Lockwood
David Charlton
Gillie Bexson
Alison Gardner
Sara Kortenray

Director and Accounting officer
Clerk in Charge Greenwich Hospital
Finance & Investment Director (until August 2013)
Head of Strategic Development
Head Royal Hospital School
Bursar Royal Hospital School
Head of Property
Head of Finance
Charity & Bursaries Manager

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2 Objectives and Activities

2.1 Introduction

The Royal Charter of William and Mary dated 25 October 1694 established the Royal Hospital for Seamen (latterly known as Greenwich Hospital) as a home for retired seamen of the Royal Navy, to provide support for seamen's widows and education for their children, and the improvement of navigation. The first Pensioners arrived at Greenwich in 1705. By 1800 more than 2,000 were living there. With changing social conditions, and after more than 20,000 former seamen had passed through the Hospital's care, the last Pensioner left in 1869. The Hospital then devoted its resources to paying pensions and educating children. It now provides sheltered housing for elderly seafarers and their spouses, provides educational bursaries and grants for seafaring families and substantial grants to naval charities.

The Royal Naval College used the Hospital's original buildings at Greenwich from 1873 until July 1998. The Hospital then gave a 150-year lease to the Greenwich Foundation for the Old Royal Naval College, a charity established to take responsibility for preserving, finding new uses for, and encouraging public access to the Royal Hospital site. The Hospital remains the freeholder of the site. The buildings once used by the Royal Hospital School in Greenwich were taken over by the National Maritime Museum in 1934. The Hospital retains the right of reversion should the buildings no longer be used for this purpose.

The Charity is funded by the income from its property portfolio in Greenwich, London, East Anglia and Northumberland and its quoted investments.

The Travers Foundation was established in 1725 and later transferred to Greenwich Hospital. No pensions are currently paid and surplus income from the Foundation is applied for the charitable purposes of Greenwich Hospital.

2.2 Greenwich Hospital aims and objectives

After more than 300 years, the Hospital continues to enjoy Royal interest through its patron, HRH The Duke of York, and it still strives to follow the spirit of its original Charter:-

"The relieve and support of seamen serving on board the shippes or vessells 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 Sustentation 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 children who have a parent or grandparent who is serving or has served in the Royal Navy, Royal Marines, Women's Royal Navy Service (WRNS) or UK Merchant Navy for a minimum of three years.

2.3 2013-14 Aims and Objectives

The Hospital's objectives for financial year 2013-14 were to:

- Work with Navy Command and Naval Charities to develop a longer term strategy for identifying and better supporting Naval need.
- To review the Memorandum of Understanding with the RNRMC.
- To plan the way forward options for the RHS, charting the path to independence and developing milestones to assist directional planning, recognising the progressive reduction in RHS bursary funding.

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- To progress the options for modernising the legal status of Greenwich Hospital in order to better deliver the Naval charitable output in the 21st Century.
- To maintain and enhance the current charitable outputs.
- To achieve a total return on investment property portfolio of 4% over RPI over the long term.
- To achieve a sufficient total return from the quoted investments portfolio to fund its charitable outputs and to grow its capital value.
- Review business continuity and disaster recovery procedures

The achievement of these objectives is reviewed under the relevant operational headings below and under the financial review.

2.4 Public Benefit Statement

As a unique Crown body, the Hospital is governed by the Greenwich Hospital Acts 1865 to 1996, passed over the years to reflect changing social circumstances and the evolution of the Hospital. The Hospital does not fall under the requirements of the Charities Act of 2011, or the jurisdiction of Charity Commissioners, but it seeks to follow the best practices in the charity sector while meeting the requirements of its own Acts.

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. 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. 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.

3 Review of Operations, Achievements and Performance

3.1 Royal Hospital School

The Royal Hospital School is a leading independent co-educational boarding and day school in East Anglia. The School occupies a magnificent site on the banks of the River Stour in the Suffolk countryside, a few miles south of Ipswich.

The Royal Hospital School provides an outstanding all round education for its pupils. Academic standards are high and the School has a very wide-ranging programme of sport, music and extra-curricular activities. The School's Combined Cadet Force (CCF) is the tenth largest in the country and many pupils participate in the Duke of Edinburgh Award Scheme. Sailing is a particular strength and it is usually the case that the School's top sailors are competing at international level.

The main points of entry are at 11+ (mostly from primary schools), 13+ (mostly from prep schools) and 16+, although the School does admit pupils at all other ages. 90% of the School's departing Upper Sixth Form pupils progress on to higher education, and many of them secure places at the UK's leading universities, including Oxford, Cambridge, Bristol, Durham, Edinburgh and other Russell Group institutions.

Having completed a five year programme of building development, which included the creation of a new music school at a cost of £3.5 million and a complete refurbishment of boarding accommodation, the Royal Hospital School now has outstanding facilities.

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

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seafaring eligibility, charitable need and performance in the school entrance exams. Discounts are awarded based on seafaring eligibility and academic performance.

In September 2013 the school had 702 pupils of which 243 were day pupils and 459 were boarders. 132 pupils were supported by sea faring bursaries or discounts. Additionally 106 were the children of serving Armed Forces personnel in receipt of Continuity of Education Allowance who receive a discount on fees.

The School has had a number of impressive achievements many of which are highlighted on the School website. The following accomplishments are particularly worthy of note:

- A curriculum review has been completed with the following actions identified:-
 - Teaching of English, Maths, Science & languages to be increased for Year 7 – 9 pupils
 - New subjects to be introduced: GCSE Music Tech, GCSE Classical Civilisation, A level Economics
 - Curriculum support to be improved and used for Marketing
 - Games coaching improved
 - Increase teacher contact time from 10 hours to 12 or 14 hours
- Mobile learning is being piloted with teachers and Year 12 pupils using iPads following significant investment in the IT infrastructure of the school.
- A space audit has been completed identifying scope for further expansion.
- The School held a Governance and Strategy Session in November 2013 where a robust long term financial plan was agreed and the future governance structure mapped out. Significant progress has been made in establishing a charitable trust for the School as a precursor to it having a separate legal existence to Greenwich Hospital.

The Royal Hospital School Enterprises Limited company generated £560k (2012-13: £375k) for the unrestricted benefit of the School. See note 6 for details.

3.2 Sheltered Housing

Greenwich Hospital and The Church of England Soldiers', Sailors' and Airmen's Clubs (CESSAC) have worked together since 1988 to operate Greenwich Hospital's sheltered housing for former Royal Navy & Royal Marines seafarers. There are three schemes located respectively in Southsea, Saltash, and Greenwich housing 124 retired former seafarers who are over 60 years of age and their spouses, widows and widowers.

Each scheme has a strong community atmosphere and enjoys a range of social activities including coffee mornings, bingo nights, film nights and quizzes and celebrations at Christmas and during the summer. During the year Greenwich Court helped the University of Plymouth with a project called Far from Home recording experiences of being posted away from home.

All three sites offer one or two bedroom accommodation built to modern standards. The tenants pay rent based on housing association rates to contribute to the costs of running the schemes. Flats are allocated on the basis of priority of need and are currently fully subscribed. Financially the Hospital's sheltered housing is targeted to cover its costs, including the management fee but excluding depreciation. This was broadly achieved in 2013/14.

3.3 Grants

The Hospital is a substantial provider of funding for charities supporting serving and retired men and women of the Royal Navy and Royal Marines and their dependants.

The majority of the Hospital's grant aid for Naval benevolence is made through the Royal Navy and Royal Marines Charity (RNRMC). The Hospital has agreed a Memorandum of Understanding with RNRMC which sets out the relative responsibilities and obligations. The two CEOs hold regular routine meetings and converse frequently in order to maximise the support the two organisations are able to give beneficiaries.

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The Hospital continues 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 are considered to be binding obligations when they are notified to recipients following approval of the budget for the next financial year. For subsequent years no awards are considered to be binding obligations as they will be subject to the availability of funds and continuity of eligibility.

In 2013-14 the Hospital provided £2.89m by way of new charitable grants to 24 Royal Naval and Tri-Service charities. A further £100,000 was paid to the Marine Society and Sea Cadets in relation to a commitment made in a previous year to contribute to the replacement of TS Royalist.

A list of grants given here:

	£	£	Beneficiaries
	2012/13	2013/14	2013/14
Jellicoe Annuity RNBT	998,400	998,400	1,200
Pembroke House RNBT	85,673	71,693	87
Royal Navy Benevolent Trust RNBT	373,741	332,664	2,195
Royal Navy & Royal Marines Children's Fund	530,000	550,000	1,800
Royal Navy Dependants Fund	128,152		
Recovery Pathway NSBF		50,000	248
Women's Royal Naval Service Benevolent Trust	86,004	87,720	319
Veterans Aid	30,000	55,000	18
Not Forgotten Association	30,000	30,000	3,395
Erskine	30,000	50,000	112
Regular Forces Employment Agency	50,726	78,150	782
KIDS		30,000	78
Naval Area Community Organisations		7,000	743
Royal Alfred Seafarers	38,500		
Queen Alexandra Home	34,400	52,000	9
Plymouth Drake Foundation		5,000	423
Poppy Factory		66,000	89
Spinal Injuries Association		10,000	56
SSAFA CMS		5,894	
Combat Stress	100,000	100,000	546
SSAFA	60,000	60,000	5,510
Sailors Families Association	69,000	75,000	486
Scottish Veterans	100,000	50,000	120
Royal Sailors Rest	50,000	70,000	3,666
St Dunstons	25,000		
Alabare	20,000		
Star and Garter	15,000		
Stoll	10,000		
Family Activity Breaks	10,000		
HCPT	5,250		
Minor Grants	570	11,329	22
RNRMC Legal Fees	7,945	14,558	
	2,888,361	2,860,408	21,904
Educational Grants	19,500	25,465	11
	2,907,861	2,885,873	21,915

The larger grants include:

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The Royal Navy & Royal Marines Charity (RNRMC)

Greenwich Hospital has played a major part in funding the development of RNRMC which exists to provide a better quality of life for serving and former Naval Service personnel. This includes the Royal Navy, Royal Marines, Maritime Reserves, Queen Alexandra's Royal Naval Nursing Service (QARNNS), the Royal Fleet Auxiliary and former members of the WRNS. It provides a single focus for charities that support Naval Service personnel.

RNRMC supports the whole naval family through block grants to naval charities. For grants to individuals who are in need, suffering hardship or in distress. RNRMC works with the Royal Navy Officers' Charity, QARNNS, The Royal Marines Charitable Trust Fund, the Royal Naval Benevolent Trust, the Royal Navy and Royal Marines Children's Fund and the Women's Royal Naval Benevolent Trust (WRNSBT).

Royal Naval Benevolent Trust (RNBT)

RNBT gives substantial support to Royal Navy and Royal Marines veterans and their widows through a range of grants to individuals. The Hospital has also helped to meet the cost of running RNBT's residential and nursing home, Pembroke House, in Gillingham, Kent. This year in addition to providing funding towards the care of 87 residents needing nursing care the Hospital funded a new telephone system and made a grant towards the residents' garden.

Jellicoe Annuities.

In 1916 Admiral Sir John Jellicoe proposed a charitable fund should be set up to help Royal Naval men and their dependants who might be in need. The resultant Grand Fleet Fund was the forerunner to the RNBT. To find the full history of the "Jellicoes", visit their website www.rnbt.org.uk/history. In 1983 the Admiralty Board asked the Hospital to assist the RNBT by providing grants to meet Jellicoe Annuities. The Hospital currently funds RNBT to provide 1,137 Jellicoe pension annuities reviewed annually.

Combat Stress

A small but significant number of Veterans leave the Armed Forces with psychological wounds. These can lead to depression, phobias, anxiety, relationship problems and, in some cases, Post Traumatic Stress Disorder (PTSD). Combat Stress works with Veterans of the British Armed Forces and members of the Reserve Forces through effective treatment and support for mental health problems. All services are supplied free of charge to the Veteran. Financial support to Combat Stress is done on a pro rata scale of the numbers in the three services receiving help.

Royal Navy & Royal Marines Children's Fund (RNRMCF)

RNRMCF was formed in 1999 by the merger of two Naval Orphanages in Gillingham and Portsmouth. It now covers all aspects of the care of the children of serving and ex-serving personnel where need and circumstances require charitable commitment. The web site is www.rnrmcf.org.uk.

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Women's Royal Navy Service Benevolent Trust (WRNSBT)

The WRNSBT was established in 1942 to help in cases of hardship among the thousands of women who served in the (WRNS). A member is anyone who served in the WRNS and transferred to the Royal Navy before 1 November 1993, or anyone who has served in the WRNS since 3 September 1939.

The Trust assists approximately 400 former Wrens each year. All Trustees are former Wrens including current Service and Royal Navy and Royal Marines representatives.

Sea Cadets TS Royalist Replacement

The Sea Cadets are a Naval Charity and are supported under the Hospital's charitable objects for the Relief and Encouragement of Seamen and the Improvement of Navigation. The Hospital has donated a significant sum annually towards the Appeal for a replacement for Sea Cadet Flagship, TS Royalist, which is over 40 years old. An expedition on a sailing ship is considered the pinnacle of a sea cadet's training and TS Royalist has provided many tens of thousands of young people with a life changing experience. The new ship will be a square rigged brig similar in size and design to the existing ship. The project is due to complete in 2015 and is expected to cost £7.5m. Greenwich Hospital's commitment to the project totals £900,000. The Sea Cadets have a membership of 13,850 cadets and 6,285 adult instructors. This grant therefore assists an annual membership of 20,135. The voyages total 7,176 cadet days a year.

Scottish Veterans' Residences

Scottish Veterans' Residences first opened its doors on 1 January 1911 and through both world wars and modern day conflicts in Korea, the Falklands and the Gulf. Each veteran has his or her own fully furnished en suite accommodation and lives in a supportive community environment. Greenwich Hospital made a substantial grant to Scottish Veterans' residences to support their work with the Hospital's beneficiaries.

Regular Forces Employment Agency

The RFEA's aim, since 1885, has been to help those leaving the Armed Forces to find and to remain in employment throughout their working lives. This is done as part of the Career Transition Partnership (CTP) for up to two years after discharge and thereafter is done on behalf of the Service Benevolence Funds. More details can be found on their website www.rfea.org.uk.

The Poppy Factory

For nearly 90 years, The Poppy Factory in Richmond, Surrey, has been making poppies, crosses and wreaths for the Royal Family and the Royal British Legion's annual Remembrance Day appeal. In recent years, The Poppy Factory has transformed itself into a thoroughly modern charity. As well as providing work for disabled veterans at its HQ in Richmond, The Poppy Factory uses its unique expertise to help its clients find work with many commercial organisations all over the UK. The Poppy Factory has a vision that "no disabled veteran who wants to work should be out of work" and aims to become the recruitment provider of choice for its ex-Forces clients and for employers alike. More details can be found on their website www.poppyfactory.org.

SSAFA

SSAFA has been providing lifelong support to the Forces and their families for 128 years. Last year SSAFA's caseworkers and community volunteers visited and supported 41,836 people - the equivalent of 114 people every day. During their visits to clients, caseworkers and community volunteers provide supportive, low-key befriending, as well as financial assistance and guidance. Applications for grants are subsequently made after a thorough income and expenditure check. The caseworker will assess what type of financial help the client needs and contact a range of organisations to then meet these requirements. The support caseworkers offer is essential to those who have served with the Royal Navy or Royal Marines who find themselves in need of

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practical and emotional assistance. Over 5000 clients come from a Royal Navy or Royal Marine background. This represents 13% of SSAFAs clients.

3.4 Quoted Investments

The Hospital has £85m in quoted investments which are managed on our behalf by Newton. We invest in seven of their funds to obtain a balance of investments across different geographic areas, industries and asset classes. Each fund is benchmarked against a relevant index and our overall portfolio is benchmarked against a composite benchmark. Our portfolio comprises the main fund of £81m, the income from which is spent on charitable purposes and the Reade Accumulation fund valued at £3.8m, the proceeds of which are reinvested.

The income target for the main fund was £3.0 m after management fees and the income achieved was £3.1m. The portfolio maintained its value despite difficult economic conditions during the year. The overall total return for the portfolio was modest at under 5%. The investment instruction has since been modified to ensure that total return is not being sacrificed to meet income targets. The requirement for dividend income from listed investments will reduce when the asset management strategy completes and higher rents can be obtained from the property portfolio.

3.5 Property Portfolio

The Hospital has an investment property portfolio of £173m. This includes commercial and residential property in Greenwich, rural and development land predominately in the North East of England and a share in a central London estate.

The property investment strategy was reviewed and revised in order to manage the Hospital's property holdings to the best advantage through long term stewardship and to maximise the net income flow and capital value of the estate over time.

Net income from the investment property portfolio was £4m.

Greenwich Estate

The Greenwich Estate comprises the market, 114 commercial units and 95 residential units in Greenwich town centre.

The Estate has been valued at £101m on an individual building basis and produced net income of £2.5m in 2013/14. The estate is managed on the Hospital's behalf by BNP Paribas.

The Hospital is implementing a series of strategies to "Enhance and Improve" Greenwich Town Centre with the aim of increasing its return from the property it owns there. These strategies include investment in and commitment to improving retail and residential accommodation, public realm and the market.

The key elements of the Hospital's commitment to invest in its material assets in Greenwich are to:

- Conserve Greenwich's urban village character through a proactive commitment to protection and enhancement of its built heritage.
- Upgrade and enhance Greenwich Hospital's buildings by improving the external appearance of the retail and residential frontages.
- Deliver buildings that respond to the character and quality of the area with a commitment to architectural excellence and the business needs of the 21st Century.
- Create prime accommodation to attract strong covenant and high quality restaurateurs and retailers.
- Continue to mix uses by taking back upper floors wherever possible and return them to residential use in order to build the evening economy.

Greenwich Hospital

Activity in Greenwich in 2013/14 has been concentrated on the completion of the four houses and three apartments on the former car park in Old Woolwich Road, the apartments above Jamie's Italian and the construction of 20-22 Greenwich Church Street.

Planning applications for the refurbishment of 34/36 and 40/42 Greenwich Church Street and the Greenwich Market Enhancements have continued to progress, albeit more slowly than anticipated.

Rents and yields have improved but there has been a drag in performance as a result of delays in building starts due to planning consent delays prior to refurbishment starts on site.

Demand for restaurant and retail units has remained strong and the Hospital has a very low vacancy rate of three shops out of 115. The London average is 9%. Estimated Rental Values have increased from £60 in terms of Zone A (ITZA) to approximately £80 ITZA average. Interest from high quality restaurateurs remains strong and varied and, in addition, a gallery tenant who took occupation in September 2013 has already grown into a larger unit. The uplift in rent will be from £30,000pa to £38,000pa.

The Hospital continues to seek new retail and restaurant concepts which contribute to Greenwich's unique character. It works with retailers to promote their ideas with short and flexible leases; this brings a steady flow of interesting new concepts, not all of which are ideal. Where trading experience shows that a new concept is not meeting either the Hospital's or the retailers' expectations it is able to react quickly. Its flexible leases allow it to continually refresh, ensuring it is maintaining an appeal to our visitors.

Northern Estates

The Northern Estates are situated in the counties of Northumberland and Tyne & Wear and are at Throckley and Haydon Bridge in the south of the county; North Doddington near Wooler; Middleton, near Belford; Scremerston, to the South of Berwick upon Tweed; along the Tweed Valley from Berwick upon Tweed; and at Jardinefield in the Scottish Borders. The properties are a mix of agricultural, residential, commercial and forestry the majority of which are let with the exception of forestry. The Estate, which comprises 5,250 acres, is managed on the Hospital's behalf by Smiths Gore.

The Estate has been valued at £27m and during 2013/14 it generated net income of £425k.

In accordance with the Property Strategy the Hospital is continuing with disposals as the tenancies end and cottages become vacant. It has also sold the former estate office at Middleton. The receipts are being invested in higher yielding areas of the property portfolio.

The Hospital is discussing selling land for house building around Throckley in the North East. The low return in 2013/14 is net of expenditure on researching the development potential of this Land.

Holbrook Estate

The Holbrook Estate, in Suffolk, extends to about 600 acres comprising agricultural land, farm houses, cottages and other properties including a playing field and reed beds. The Estate surrounds the Royal Hospital School and parts of the villages of Holbrook and Harkstead. It is managed on the Hospital's behalf by Strutt & Parker.

The Holbrook Estate has been valued at £7.7m and during 2013/14 it generated a surplus of £71k.

Pollen Estate

The Pollen Estate consists of office space, residential units and retail outlets, which are mostly situated on Saville Row. It is managed through a trustee company. The Hospital owns 10.24% of the Estate and receive regular dividends. The Hospital's share of the estate, net of debt, is valued

Greenwich Hospital

at £37m and it generated £0.9m income. During the year the Hospital purchased a small additional holding in the estate of 0.0127% for £30k.

Schroder's Property Fund

The Hospital held £2.3m in the Schroder UK Property Fund. These shares were sold in April 2013.

Nicholas Lane

The Hospital sold its property on Nicholas Lane, London for £5.7m at the year end. The price was substantially higher than the £2.3m balance sheet value generating a £3.4m surplus on sale.

3.6 Royal Hospital School Enterprises Limited (RHSEL) and Travers

RHSEL

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). All profits generated are gift aided to the Hospital. See note 6 for further details.

Travers Foundation

The Travers Foundation was established in 1725 and transferred to Greenwich Hospital by Act of Parliament in 1892. Surplus income from the Foundation is applied for the general purposes of Greenwich Hospital.

A surplus of £65k (2012-13: £56,000) was generated from rental income and returns on financial investments. The net movement in funds showed an increase in the net assets of £951k. The net income of the Foundation is available to the Hospital.

4 Review of Finances

4.1 Financial Policies

Liquidity and Reserves Policy

Liquidity

The Hospital's policy is to maintain sufficient liquidity to meet the commitments made for charitable activities and capital improvements but not so much that it impacts negatively on investment returns. Liquidity is reviewed each year as part of the budgeting process to ensure it is consistent with the Hospital's aims and monitored throughout the year. The Hospital has not borrowed during the year but it is authorised to do so should it be considered helpful or necessary.

Designated Reserves

The School has designated reserves of £156k relating to specific projects which are outlined in note 23 to the accounts.

Although not identified as a designated fund £21m of the Hospital's unrestricted funds are required to meet the Pension liability as identified in note 19. A further £1.5m of unrestricted reserves is set aside for the Royal Hospital School and is held to cover future operating deficits and capital programmes to be undertaken by the school. The policy is to add to or expend this reserve based on the annual operating surplus or deficit respectively of the school.

Greenwich Hospital

Restricted Reserves

Restricted Reserves represent monies received by way of gifts and legacies where the use is limited by specific conditions. They relate to the School and include funds for Bursaries and for specific clubs and societies. A breakdown of restricted reserves is shown in note 23 of the accounts.

Other Reserves

The balance of the assets of the Hospital is held to produce income for works in accordance with the Royal Charter of the Hospital. The Hospital does not seek outside income apart from that which is produced from its own investments and that which relates to the Royal Hospital School. In addition, the Hospital also has the option of spending all, or part, of the capital of these assets as well as any income produced.

The Hospital seeks to manage its quoted and property investments on a total return basis so that the value of the investment, and hence income produced for its charitable output, at least keeps pace with inflation over the very long term. By its nature, these funds are more akin to an expendable endowment rather than “free” reserves and a separate policy governing general reserves is not felt to be relevant.

Investment policy and objectives

The Hospital's portfolios are managed by property agents and investment managers reporting to the Hospital's executive team and Advisory Panel. The objective of Greenwich Hospital's investment strategy is to generate a sufficient return from the portfolio to fund its charitable outputs whilst at the same time seeking at least real growth in the capital value of the portfolio over the longer term.

This objective is pursued by prudently investing in a broad range of equities and fixed interest securities which are quoted on a recognised investment exchange, in UCITS Funds (funds 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 direct investments are made in alternative asset classes, such as Hedge Funds, Private Equity Funds or other investments which are not quoted or authorised as above.

The Hospital's property portfolio comprises predominantly commercial, residential and agricultural holdings in Greenwich, London, Northumberland and East Anglia, and a share in a Central London estate through its investment in the Pollen Estate. The Hospital increases the value and return from the Estates through active asset management. Property will be disposed of and new acquisitions made where it is the most advantageous course of action for the hospital.

Payments to Suppliers

The Hospital aims to pay all suppliers in accordance with contractual terms. The Hospital pays all its suppliers on average within 33 days, calculated using year-end figures of amount owed to trade creditors as a proportion of the amount invoiced during the year.

4.2 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. No funds from the Hospital are paid or disposed of 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. In addition major projects are subject to a formal investment appraisal.

Greenwich Hospital

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 benchmarks, and a commentary on variances and the performance of the investments. In addition, the Head of Finance 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 under the day to day care of the National Maritime Museum and the Old Royal Naval College with whom there are formal loan agreements.

A five year Short Term Plan (STP) is prepared annually comprising individual plans for each of the Hospital's major activities, including the sheltered housing schemes, the directly held estates, quoted investments, headquarters and the Royal Hospital School. The individual STPs 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.

4.3 Management Information

Executive information including all financial reporting is prepared either by 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.

Board meetings and Committee meetings are minuted and amendments to management reports or information are approved where necessary. The minutes and papers of the Advisory Board and subcommittees are deposited periodically in the National Archives as a matter of public record. Greenwich Hospital's accounts are audited by the Comptroller and Auditor General and laid annually before Parliament.

4.4 Summary of Financial Highlights

Total funds carried forward are £278m which is an increase of £21m on the previous year. The increase in funds has mainly resulted from the strong growth in the Hospital's property investments. Its net incoming resources before transfers and other recognised losses is a deficit of £876k compared to a deficit of £943k the previous year. Net investment income has been lower than last year at £7.2m compared to £7.9m. This has been balanced by a reduction in net expenditure at the school as a result of efficiency savings and income generation there.

4.5 Review of spending

Total resources expended before administration costs, interest on pension liability and recognition of other gains and losses was £22m broadly the same as in the previous year. There has been lower expenditure on the School as noted above and higher expenditure on investment property resulting from refurbishment costs as part of the strategy to raise future rental income.

The Hospital spent a net £6.4m (2012/13 £6.7m), on grants, sheltered housing and the School. Headquarters costs increased from £1.2m to £1.3m as a result of the first full year in the new office and a revised staffing structure.

The Hospital has an in house, unfunded defined benefit employee pension scheme with around 436 members. Fewer than 27% of these members are current employees. The scheme is now closed to new members but it remains a costly historic legacy for the Hospital to fund. Expenditure on the scheme recognised in 2013-14, net of employee contribution was £1.45m.

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4.6 Review of Investment

The market value of the Hospital's investment portfolio at the end of March 2014 comprised £173m,(2012/13 £153m), investment property and £85m, (2012/13 £85m), listed investments. This is an increase of £20m over the previous year.

The total return for its listed investments, managed by Newton, was disappointing at 4.73% against a benchmark target of 6.95%. Net income received was on budget at £3.1m,(2012/13 £3.5m), but market value increased by only £477k,(2012/13 £9m).

The portfolio performance was impaired by poor returns from overseas equities particularly in Asian and Emerging Markets. The Hospital has monitored the Manager's performance closely but the Manager made no major changes to the portfolio position until the year end when Asian equity was exchanged for UK equity reducing the overall Asian holding from 14% to 9% of the portfolio.

The Hospital's portfolio aims to be underweight in the more economically cyclical and operationally leveraged businesses. The portfolio preference is for businesses with defensive characteristics and structural drivers for growth such as healthcare, consumer goods, telecoms and healthcare. This strategy has not achieved the highest returns this year but should position us for long term growth.

The property portfolio includes commercial and residential property in Greenwich, rural and development land predominately in the North East of England and Suffolk and a share in a central London estate (through the investment in the Pollen Estate).

The value of the property portfolio increased by £20m to £173m. In addition the portfolio raised £3.7m surplus on sales and net operational income of £4m. The Hospital is now seeing the benefit of active asset management with increased valuations at Greenwich following the completion of three major redevelopment projects and rent reviews reflecting the improvements. The value of the Pollen estate also increased significantly as a result of a successful planning application for redevelopment. The Hospital sold its holding in an externally managed property fund in April 2013 to invest elsewhere in the portfolio. It sold the Nicholas Lane, London property in March 2014 as planned developments in the area enabled it to secure a good price.

5 Future Plans

The Hospital's key aims and objectives for the next year are set out below:

- Develop the Hospital's profile in the charity sector, so that the organisation is better recognised for what it does, and is better able to achieve its charitable purposes.
- Research areas of Naval charitable need and the means to provide appropriate support.
- Expand its provision of support for Education and Training
- Continue to provide a high quality and relevant education to all RHS pupils, particularly those it supports through seafaring eligibility, whilst continuing to improve financial standing of the school.
- Set specific KPI targets to estate managers
- Consider the merits of investing more in the Pollen Estate if the opportunity arises.
- Carry out a full review of its quoted investments manager arrangements.
- Review the pensions provision for employees

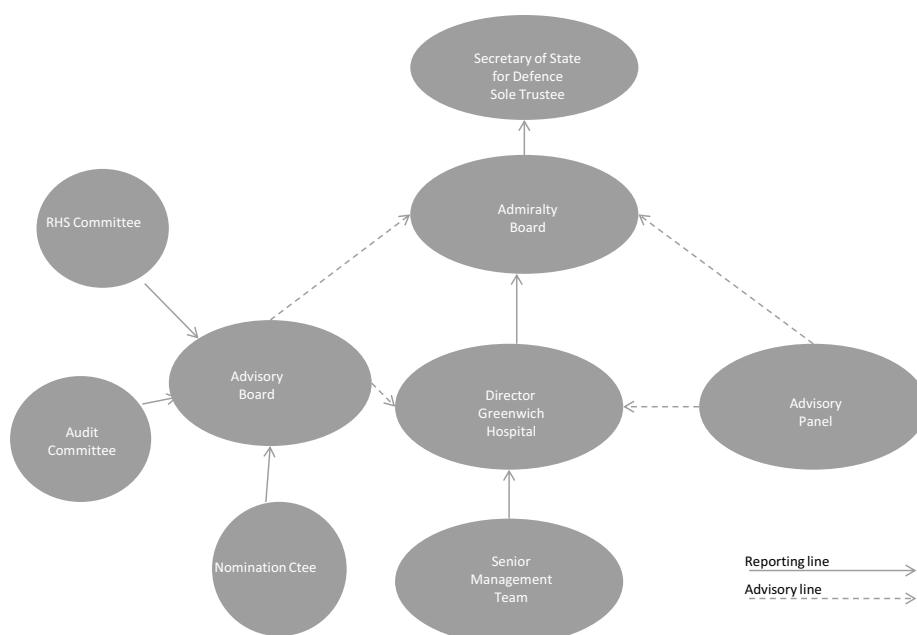
6 Governance Statement

6.1 Structure and Management

Greenwich Hospital is a Crown body which, in meeting the requirements of its Royal Charter, operates like a charity, albeit the Charity Commission is unable to recognise the Hospital as a charity due to its legal status. The constitution of Greenwich Hospital is set out in the Royal

Greenwich Hospital

Charter of 1694 and its charitable objects are governed by the subsequent Greenwich Hospital Acts 1865-1996 and the Defence (Transfer of Functions Act 1964).



The Secretary of State for Defence is the sole Trustee of Greenwich Hospital, delegating its management through the Admiralty Board to the Director of Greenwich Hospital. Responsibility for management of the Hospital is delegated to the Director by a formal letter of delegation from the Admiralty Board.

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

6.1.1 Sole Trustee

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. The Trustee 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).

6.1.2 Advisory Board

An Advisory Board chaired by the Second Sea Lord oversees the management of Greenwich Hospital on behalf of the Admiralty Board and Secretary of State for Defence. It also provides advice to the Director of Greenwich Hospital and the Admiralty Board.

Members of the Advisory Board are appointed by the Admiralty Board, with terms of office intended to ensure smooth transitions, and with strength in depth in terms of professional expertise, qualification and experience. These appointed non-executive members bring significant skills and they receive no remuneration or other benefits from their considerable commitment of time to the Hospital, although reasonable expenses are paid where appropriate.

The following served on the Advisory Board during 2013-14. The number in the second column represents the number of Board meetings attended during the year.

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Vice-Admiral Steel	David	4	Chair	Appointed 01.03.2013
Liz Cassidy		1	Deputy Chair	Retired 31.07.2013
Giles Ahern		2	Deputy Chair	Appointed 01.08.2013
Hugh Player		4	Director	Appointed 01.09.2012
Malcolm Naish		4	Property Member	Appointed 01.09.2012
Stuart Beevor		4	Property Member	Appointed 01.09.2012
Matthew Thorne		4	Finance Member	Appointed 01.09.2012
Ian Harwood		3	Investment Member	Appointed 01.09.2012
Christopher Tite		4	Legal Member	Appointed 01.09.2012
Richard Hunting		3	Business Member	Appointed 01.07.2011
Caroline Thynne		4	Legal Member	Appointed 01.09.2012

John Gamp acted as Secretary to the Board

During the year, some of the significant issues considered by the Board included the governance and future strategy for the Hospital and the future of the Hospital's school bursary scheme.

6.1.3 Advisory Panel

The Director of Greenwich Hospital is assisted in his duties by an Advisory Panel, which offers professional and expert guidance on the formulation of the Hospital's investment strategy. The Advisory Panel acts in an advisory capacity and responsibility for implementing the investment strategy rests with the Director.

Members of the Advisory Panel are appointed by the Admiralty Board and its members bring significant skills to the work of the Hospital. Members of the Advisory Panel receive no remuneration or other benefits although reasonable expenses are paid where appropriate. The following served on the Advisory Panel during 2013-14. The number in the second column represents the number of meetings attended during the year.

Liz Cassidy		1	Chair	Retired 31.07.2013
Giles Ahern		3	Chair	Appointed 01.08.2013
Hugh Player		4	Director	Appointed 01.09.2012
Malcolm Naish		4	Property Member	Appointed 01.09.2012
Ian Harwood		4	Investment Member	Appointed 01.09.2012
Matthew Thorne		4	Finance Member	Appointed 01.09.2012

During the year, some of the significant issues considered by the Advisory Panel included the appropriate level of bond holdings within the quoted investment portfolio the allocation of resources between property and listed investments and the performance of the Hospital's investment portfolio.

6.1.4 Royal Hospital School Committee (RHSC)

The RHSC exists to advise the Greenwich Hospital Advisory Board on the progress of the Royal Hospital School towards achieving the overarching aims set by the Admiralty Board and its path to independence. The RHSC is appointed by the Advisory Board and comprises a non-executive

Greenwich Hospital

Chairman, at least one other non-executive member, the Director of Greenwich Hospital and the Clerk-in-Charge.

6.1.5 Audit

The Audit Committee is responsible for advising the Advisory Board on the Annual Report and Accounts of the Hospital, the accounting policies and the financial reporting judgements included therein. It ensures the independence and objectivity of the external auditors and provides oversight of external audit activities. The committee monitors effectiveness of the Hospital's risk management and internal control systems and provides and assessment of the risk processes and policies to the Advisory Board.

Chair: Matthew Thorne

Members: Ian Harwood

Richard Hunting

6.1.6 Nomination Committee

The Nomination Committee advises the Admiralty Board on the make-up of the Advisory Board and Advisory Panel. It did not meet during 2013/14.

6.1.7 Director of Greenwich Hospital

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.

6.1.8 Senior Executive Staff

The Director is authorised to delegate his powers and responsibilities to members of Greenwich Hospital staff as he sees fit. Such delegation is 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, is authorised to assume any of these powers and responsibilities in the Director's absence without specific further direction.

During the year, the senior staff of the Hospital were:

Hugh Player	Director	Appointed 01.10.2012
John Gamp	Clerk-in-Charge	Appointed 01.07.2003
Peter Linstead-Smith	Head of Strategic Development	Appointed 13.10.2013
Edward Dolby	Finance & Investment Director	Retired 31.07.2013
Gillie Bexson	Head of Property	Appointed 01.08.2013
Alison Gardner	Head of Finance	Appointed 01.08.2013
Sara Kortenray	Charities and Bursaries Manager	Appointed 01.08.2013
James Lockwood	Headmaster, Royal Hospital School	Appointed 01.09.2012
David Charlton	Bursar, Royal Hospital School	Appointed 19.03.2004

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6.1.9 Royal Hospital School (RHS)

The RHS is owned and supported by Greenwich Hospital. As the Hospital HQ is not co-located with the RHS, responsibility for ensuring RHS 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.

A Governing Body is appointed to oversee the strategic management and workings of RHS. The following served on the Governing Body during 2013-14.

Henry Strutt	Chair
John Gamp	Governor/Clerk in Charge
Valerie Bidwell	Governor
James Lynas	Governor
Thomas Hill	Governor
Penny Marshall	Governor
Henry Jones	Governor
Elisabeth Todd	Governor
Andrew Tate	Governor
Kevin Beaton	Governor
Hector Wykes-Sneyd	Governor

6.2 Compliance with the Corporate Governance Code

To the extent that it is deemed relevant and practical, the Hospital has followed the requirements set out in the 2011 Code (Corporate governance in central Government departments: Code of good practice), which is focused on the role of boards.

6.3 Performance of the Advisory Board and Advisory Panel

The principal achievements of the Hospital during the year are highlighted elsewhere in these Annual Report and Accounts.

Minutes of the Advisory Board and Panel are circulated to all members with routine papers in advance of the meetings. The Chair of the Advisory Panel also highlights any matters of particular concern for the attention of the Advisory Board.

There is a wide range of information and data (financial and otherwise) routinely available to members of the various governing and management bodies, including management accounts. The Head of Finance has worked closely with the Finance Member of the Advisory Panel to refine the financial information supplied and the Advisory Panel is now satisfied that the information is timely and in a format which enables the Advisory Board and Advisory Panel to exercise appropriate oversight of the Hospital and to provide well informed advice to the Advisory Board and the Director.

6.4 Risk Management

The Hospital has a well established approach to risk management which continues to improve in line with the development of the charity. The risk process is designed to consistently identify and prioritise risks to the achievement of its charitable aims and objectives, to evaluate the likelihood and impact of those risks being realised, and to manage them efficiently, effectively and economically.

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Risks are divided into high level strategic risks requiring Advisory Board or Advisory Panel attention and operational risks. Operational risks which become high would be raised to a strategic level.

Each risk has a designated owner and specific actions are planned to mitigate the risk. This information is collated into a risk register which is a standing item on the Audit Committee agenda. The risk register is reviewed regularly and is reflected in the Annual Management Plan. The Head of Strategic Development is formally tasked with the management of the Risk Register and the Annual Management Plan.

6.4.1 Principal Risks and Their Management

Risks	Management
Market risk: the Hospital's investments are subject to short term market movements	<ul style="list-style-type: none"> • Investments are managed in line with the Hospital's Investment Policy which aims to balance risk and return effectively by placing limits on the amounts invested in different assets; risk is positively managed through diversification. • The policy is reviewed annually by the Advisory Panel. • The Head of Finance and the Advisory Panel constantly review the performance of the Investment Manager and the portfolio.
Credit risk: the principal financial assets are bank balances, investments and other receivables	<ul style="list-style-type: none"> • The amount held with any one banking or investment group is under constant review as to their credit ratings • Procedures are in place to check the financial standing of all new property counterparties • An active credit control policy is applied to management of rent arrears.
Failure of RHS to achieve financial viability	<ul style="list-style-type: none"> • RHS has developed a turnaround plan and its implementation and progress is monitored by senior staff.
Costs of unfunded in-house pension scheme	<ul style="list-style-type: none"> • The Pension scheme is now closed to new members and options for further reducing this risk are being explored.
Requirement for immediate charitable support in the event of a major incident affecting our beneficiary group.	<ul style="list-style-type: none"> • Sufficient liquid reserves to meet urgent charitable need. Ability to make unbudgeted grant payments at short notice.
Currency risk: the Hospital's investments expose it to some risk of changes in foreign currency exchange rates	<ul style="list-style-type: none"> • Non-Sterling quoted investments are monitored by the Head of Finance and Advisory Panel. • Non-Sterling investments are in a mix of foreign currencies, which provides some smoothing of market movements in specific currencies.
Liquidity risk: the Hospital must ensure it is able to meet its liabilities as and when they fall due.	<ul style="list-style-type: none"> • Continued improvement in cash flow management and forecasts.

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6.5 Data Protection and Management

The Director, Greenwich Hospital's Senior Information Risk Owner 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 Controller 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. During 2013-14 no incidents were reported that have resulted in the unauthorised disclosure of protected personal data.

6.6 Review of Effectiveness of Internal Controls

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 delegated 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.

H H Player
Director of Greenwich Hospital

6th November 2014

7 Statement of Trustee's and Director's Responsibilities-Includes scope of responsibility

The Director of Greenwich Hospital is its Accounting Officer and is responsible to the Secretary of State for Defence 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; and
- 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 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.

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8 Statement as to Disclosure of Information to Auditors

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

H H Player

Director of Greenwich Hospital

6th November 2014

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 2014 under the Greenwich Hospital Act 1865. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated and Charity Cash Flow Statements 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 the 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 and the group'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 Greenwich Hospital and Travers Foundation Accounts 2013-14 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 the group's and of Greenwich Hospital's affairs as at 31 March 2014 and of its incoming resources and application of resources 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 Review of Operations, Achievements and Performance and the Financial Review 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 returns adequate for my audit have not been received from branches not visited by my staff; or

Greenwich Hospital

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

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

17th November 2014

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Consolidated Statement of Financial Activities for the year ended 31 March 2014

		Unrestricted	Restricted	Total funds	Total funds
	Note	Funds £'000	Funds £'000	£'000	31/03/2013 £'000
Incoming resources					
Investment income					
Property	3	6,890		6,890	7,001
Investments	4	3,464		3,464	3,837
Bank interest receivable		5		5	10
Incoming resources from charitable activities					
Royal Hospital School	5	11,303	730	12,033	11,368
Sheltered housing		496		496	487
Incoming Resources from Activities for Generating Funds					
RHSEL Lettings Income	6	738		738	544
Other income					
		0		0	0
Total incoming resources		<u>22,896</u>	<u>730</u>	<u>23,626</u>	<u>23,247</u>
Resources expended					
Investment costs					
Property	3	2,812		2,812	2,621
Investments	4	309		309	298
Costs of charitable activities					
Royal Hospital School	5	14,841	617	15,458	15,448
Sheltered housing		628		628	581
Grants, annuities and donations	7	2,886		2,886	2,908
Costs of Generating Funds					
RHSEL Lettings Costs	6	178		178	169
Total resources expended		<u>21,654</u>	<u>617</u>	<u>22,271</u>	<u>22,025</u>
Headquarters administration	8	1,310		1,310	1,216
Interest on Pension Liability	19	922		922	949
Net incoming resources before transfers and other recognised gains and losses		<u>-990</u>	<u>113</u>	<u>-877</u>	<u>-943</u>
RHS Bursaries	23	63	-63	0	
Other recognised gains/(losses)					
Disposal of investment properties		3,691		3,691	197
Disposal of quoted investments		-141		-141	74
Revaluation of investment properties	13	18,522		18,522	3,099
Abortive Regeneration Fees	13	0		0	-4,327
Revaluation of quoted investments	14	503		503	9,381
Actuarial gain/(loss) on pension scheme	19	-56		-56	287
Net movement in funds		<u>21,592</u>	<u>50</u>	<u>21,642</u>	<u>7,768</u>
Balance brought forward at 1 April 2013		256,460	380	256,840	249,072
Balance carried forward at 31 March 2014		<u>278,052</u>	<u>430</u>	<u>278,482</u>	<u>256,840</u>

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

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Consolidated and Charity Balance Sheet as at 31 March 2014

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Consolidated and Charity Balance Sheet Balance Sheet as at 31 March 2014

		Group	Group	Charity	Charity
		2014	2013	2014	2013
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Charitable property	10	33,271	34,076	33,271	34,076
Other tangible assets	11	1,837	1,959	1,837	1,959
		35,108	36,035	35,108	36,035
Investment property	13	172,928	153,422	172,928	153,422
Quoted investments	14	85,102	84,624	85,102	84,624
		258,030	238,046	258,030	238,046
Investment in subsidiary	6			-	-
Total fixed assets		293,138	274,081	293,138	274,081
Current assets					
Debtors	16	2,935	2,725	3,492	3,114
Stock	15	55	57	53	56
Short term deposits	17	5,252	2,671	5,252	2,671
Cash at bank and in hand	17	3,909	4,177	3,242	3,680
		12,151	9,630	12,039	9,521
Current liabilities (amounts falling due within one year)	18	(4,919)	(5,799)	(4,807)	(5,690)
Net current assets		7,232	3,831	7,232	3,831
Liabilities (amounts falling due after more than one year)	18	(441)	(563)	(441)	(563)
Net assets excluding pension liability		299,929	277,349	299,929	277,349
Pension provision	19	(21,447)	(20,509)	(21,447)	(20,509)
Net assets including pension liability		278,482	256,840	278,482	256,840
Funds					
Unrestricted funds	23	277,896	256,300	277,896	256,300
Share Capital	6	0	0	-	-
Designated Funds		156		156	
Restricted funds	23	430	540	430	540
		278,482	256,840	278,482	256,840

The notes on pages 27 to 51 form part of these accounts

Hugh Player
Director of Greenwich Hospital

6th November 2014

Greenwich Hospital

Consolidated and Charity Cash Flow as at 31 March 2014

	Note	Group 2013-14 £'000	Group 2012-13 £'000	Charity 2013-14 £'000	Charity 2012-13 £'000
Net cash flow from operating activities					
Net incoming resources		(877)	(943)	(877)	(943)
Interest on Pension Liability	19	922	949	922	949
Movement of pension liability during the year	19	(40)	142	(40)	142
Depreciation		1,388	1,348	1,388	1,348
Interest on finance lease	20	24	11	24	11
(Profit)/loss on sale of tangible fixed assets		(30)	8	(30)	8
(Increase)/decrease in debtors	16	(210)	413	(378)	198
Decrease in Stock	15	2	-	3	-
Increase/(Decrease) in creditors	18	(1,126)	1,784	(1,129)	1,680
		53	3,712	(117)	3,393
Returns of investments and servicing of finance					
Interest element of finance lease payments		(24)	(11)	(24)	(11)
Charitable capital expenditure					
Payments to acquire or improve property	10	(122)	(179)	(122)	(179)
Payments to acquire other tangible fixed assets	11	(345)	(732)	(345)	(732)
Receipts from sale of other tangible fixed assets		37	22	37	22
		(430)	(889)	(430)	(889)
Non charitable capital expenditure and financial investment					
Payments to acquire or improve property	13	(8,286)	(6,447)	(8,286)	(6,447)
Receipts from sale of property and other capital		10,563	582	10,563	582
Refund of SDLT Pollen Estate	14	429		429	
Payments to acquire investments	14	(4,382)	(18,686)	(4,382)	(18,686)
Receipts from sale of investments		4,266	20,560	4,266	20,560
		2,590	(3,991)	2,590	(3,991)
Financing					
Capital element of finance lease payments		124	(70)	124	(70)
		2,313	(1,249)	2,143	(1,568)
Movement in liquid resources					
Increase/(Decrease) in short term deposits	17	2,581	1,152	2,581	1,152
Increase/(Decrease) in cash	17	(268)	(2,401)	(438)	(2,720)
		2,313	(1,249)	2,143	(1,568)

The notes on pages 27 to 51 form part of these accounts

Greenwich Hospital

Notes to the accounts

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. The accounts comply with the Charities act 2011.

Note 6 to the accounts discloses the results for the Royal Hospital School Enterprises Limited which are also consolidated into the group accounts.

b) Tangible fixed assets

Freehold land and buildings held for investment purposes are shown at market value. The market value as at 31 March 2014 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 £2,000 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 Royal Museums Greenwich (RMG). There is a formal deed of agreement between GH and the RMG,(Then National Maritime Museum) dated 23 April 1936, which provides for the loan of specified items from the Greenwich Hospital Collection to the RMG and for the RMG to be fully responsible for their care. These include many which are of great national heritage

Greenwich Hospital

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 or rewards of ownership from this collection.

In addition, the Hospital holds some other heritage assets. A valuation was made by professional valuer (Sotheby's) covering the whole of the Hospital's collection in 2001. Further updates were made in 2007 and 2013 of parts of the collection. As 96% by value of the assets are on loan, the Hospital considers the remainder of the assets to be immaterial. 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 reserves. Cash deposits 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.

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.

The benefit of rent free periods and reduced premiums which we receive as property lessees is recognised as reduced rental expense over the period from the lease start date to the end of the lease term. The benefit is allocated on a straight line basis.

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

Greenwich Hospital

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 or lease term, 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 pension scheme to provide retirement and related benefits to all eligible employees who joined the Hospital up to June 2011. The scheme is broadly analogous, although not part of, the Principal Civil Service Pension Scheme and Greenwich Hospital is responsible for paying pensions to retired employees other than RHS teachers.

As from July 2011 Greenwich Hospital has offered a defined contribution scheme to all new non teaching staff. This 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 19.

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.

m) Volunteers and related parties

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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.

2 Summary of Resources for the year ended 31 March 2014

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 24 of these accounts.

	Note	Group 2013-14 £'000	Group 2012-13 £'000
Incoming resources			
Net income from property	3	4,078	4,380
Net income from investments	4	3,155	3,539
Bank interest receivable		5	10
Other income		-	-
Total incoming resources		7,238	7,929
Resources expended			
Net Royal Hospital School expenses	5	2,865	3,705
Net sheltered housing expenses		132	94
Grants, pensions and donations	7	2,886	2,908
Net resources expended		5,883	6,707
Net Incoming Resources		1,355	1,222
Notional Interest on pension liabilities	19	922	949
Headquarters administration costs	8	1,310	1,216
Net incoming resources before transfers and other recognised gains and losses		(877)	(943)
Gain/(loss) on realisation of assets			
Investment properties		3,691	197
Quoted investments		(141)	74
Gain/(loss) on revaluation of assets			
Investment properties	13	18,522	(1,228)
Quoted investments	14	503	9,381
Other recognised gains/(losses)			
Actuarial gain/(loss) on pension scheme	19	(56)	287
Net movement in funds		21,642	7,768
Balance at 1 April 2013		256,840	249,072
Total fund balances at 31 March 2014		278,482	256,840

Greenwich Hospital

3 Net Rental Income

	Income £'000	Expenditure £'000	Surplus 2013-14 £'000	Surplus 2012-13 £'000
Greenwich estate	4,988	2,449	2,539	2,868
Northern estates	667	242	425	355
Holbrook estate	192	121	71	105
Nicholas Lane	118	-	118	115
Pollen estate	925	-	925	844
Property unit trust	-	-	0	93
Total	6,890	2,812	4,078	4,380

4 Income from Investments

	2013-14 £'000	2012-13 £'000
UK equities	887	1,434
Overseas Equities	1,892	1,599
Reade Accumulation fund	153	110
Fixed interest Investments	513	581
Cash instruments	19	113
Total income from investments	3,464	3,837
Less: Investment Manager's fees	-309	(298)
Net income from investments	3,155	3,539

Greenwich Hospital

5 Royal Hospital School

	Note	2013-14 £'000	2012-13 £'000
Income			
School fees		12,906	12,578
Incidental charges & other Income		378	252
Internal Donation Greenwich Hospital		0	449
Supplementary income		29	66
Income from lettings and hire of facilities		130	97
Restricted funds		730	715
Designated Funds		124	
Gift aid donation from Royal Hospital School Enterprises Limited	6	560	375
		14,857	14,532
Expenditure			
Staff costs		8,550	8,603
Academic costs		1,722	1,701
Premises and facilities		2,362	2,016
Administration		786	1,220
Depreciation of Fixtures and Fittings		427	1,192
Restricted funds		618	709
Designated Funds		127	
Supplementary expenses			-
(Profit)/Loss on disposal of fixed assets		(30)	7
		14,562	15,448
Surplus/(Deficit)		295	(916)
Costs funded by Greenwich Hospital Head Office			
Greenwich Hospital Bursaries		2,264	2,340
Other Costs		90	449
Building Depreciation (Cost transferred to Head Office in 2013/2014)		807	
		3,161	2,789
Excess of Expenditure over Income		(2,866)	(3,705)

The other costs funded by Greenwich Hospital Head Quarters in 12/13 were publicity, IT and costs for recruiting the new Headmaster. In 13/14 the £90k other cost is the expensing of a prepayment held on the balance sheet since 2004. The prepayment relates to a compromise agreement and should have been expensed at the time.

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	2013-14 £'000	2012-13 £'000
Income			
Summer lettings		587	414
Catering income		13	21
Income from hire of facilities		131	104
Other income		7	5
		<u>738</u>	<u>544</u>
Expenditure			
Catering costs		9	23
Summer letting catering costs		164	137
Other Direct Costs		1	3
Accountancy		1	1
Audit fees		2	2
Administration		1	3
		<u>178</u>	<u>169</u>
Gift aid donation	5	560	375
		<u>0</u>	<u>0</u>
Surplus for the period			
Cash		667	497
Debtors		8	4
Stocks		2	1
Creditors: amounts falling due within one year external		(112)	(108)
Creditors: amounts falling due within one year other group entities		(565)	(394)
Total assets less current liabilities		<u>0</u>	<u>0</u>
Capital and reserves			
Share capital			
Authorised			
100 Ordinary shares of £1 each			
Allotted, called up and fully paid			
1 Ordinary share of £1 each			
		<u>0</u>	<u>0</u>

Net assets are a £1 and below the £1k rounding threshold.

Greenwich Hospital

7 Grants, annuities and donations

The table below shows the 2013/14 of grants made both via the RNRMC and directly.

	£	£
	2012/13	2013/14
Jellicoe Annuity RNBT	998,400	998,400
Pembroke House		
RNBT	85,673	71,693
Royal Navy Benevolent Trust RNBT	373,741	332,664
Royal Navy & Royal Marines Children's Fund	530,000	550,000
Royal Navy Dependants Fund	128,152	
Recovery Pathway		
NSBF		50,000
Women's Royal Naval Service Benevolent Trust	86,004	87,720
Veterans Aid	30,000	55,000
Not Forgotten Association	30,000	30,000
Erskine	30,000	50,000
Regular Forces Employment Agency	50,726	78,150
KIDS		30,000
Naval Area Community Organisations		7,000
Royal Alfred Seafarers	38,500	
Queen Alexandra		
Home	34,400	52,000
Plymouth Drake Foundation		5,000
Poppy Factory		66,000
Spinal Injuries Association		10,000
SSAFA CMS		5,894
Combat Stress	100,000	100,000
SSAFA	60,000	60,000
Sailors Families Association	69,000	75,000
Scottish Veterans	100,000	50,000
Royal Sailors Rest	50,000	70,000
St Dunstons	25,000	
Alabare	20,000	
Star and Garter	15,000	
Stoll	10,000	
Family Activity Breaks	10,000	
HCPT	5,250	
Minor Grants	570	11,329
RNRMC Legal Fees	7,945	14,558
	2,888,361	2,860,408
Educational Grants	19,500	25,465
	2,907,861	2,885,873

A grant of £100,000 was paid to the Marine and Sea Cadet Society as part of a multiyear grant for the replacement of TS Royalist. The full £0.9m commitment to this project has been recognised in prior year accounts and is therefore not included in 13/14 resources expended.

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8 Head Office Administration

	2013-14 £'000	2012-13 £'000
Salaries	726	724
Other Staff Costs	58	44
Finance & HR Consultants	33	-
Audit fee	32	35
Professional, legal and consultancy fees	136	160
Depreciation	23	25
Office rent & expenses	302	228
	1,310	1,216

Support cost allocation

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

	Basis of allocation	Cost of generating funds £'000	Education £'000	Sheltered Housing £'000	Grants and Bursaries £'000	Governance £'000	Total £'000
Salaries	Staff time	269	196	38	75	148	726
Other Staff Costs	Staff time	22	15	3	6	12	58
Finance & HR Consultants	Staff time	13	9	2	4	5	33
Audit fee	Activity	-	-	-	-	32	32
Professional fees	Activity	17	110	9	-	-	136
Depreciation	Staff time	9	6	1	2	5	23
Office expenses	Staff time	111	82	16	31	62	302
Total at 31 March 2014		441	418	69	118	264	1,310
Total at 1 April 2013		545	426	32	154	59	1,216

Greenwich Hospital Headquarters at Gate House is occupied on a 10 year lease which started in November 2012. The rental was subject to an initial rent free period to November 2013, then rents of £69,290 pa to July 2015 and then £138,580pa to November 2017. The lease then reverts to the higher of passing or market rent. In accordance with leases standard SSAP 21 the rentals have been recognised on a straight line basis.

Greenwich Hospital

9 Staff Costs

	2013-14 £'000	2012-13 £'000
Salaries and wages	7,558	7,418
Social security costs	544	594
Pension costs	1,264	1,315
	<u>9,366</u>	<u>9,327</u>
Composed of:		
Royal Hospital School	8,640	8,603
Headquarters administration	726	724
	<u>9,366</u>	<u>9,327</u>

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

	2013-14	2012-13
£60,000 to £69,999	14	12
£70,000 to £79,999	3	2
£100,000 to £109,999		1
£110,000 to £119,999	1	-
£120,000 to £129,999		1
£140,000-£149,999	1	-

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

Royal Hospital School	223	220
Headquarters administration	11	12
Total	234	232

Of those employees who earned £60,000 or more during the year (as defined above) employer contributions were made to defined benefit schemes in respect of 16 employees and a defined contribution scheme in respect of one employee. During the year this amounted to £198k.

The remuneration of the Director of the Hospital was as follows:

	2013-14 £	2012-13 £
Salary	102,000	124,174
Employers Pension Cost	7,650	12,176
	<u>109,650</u>	<u>136,350</u>

The Director is entitled to pension benefits under the Hospital's pension scheme. Salaries are at amounts received not annual equivalents. Greenwich Hospital does not operate a

Greenwich Hospital

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. Salary costs were higher in 12/13 as a result of the departure of the previous Director.

The Trustee of the Hospital and the members of the Advisory Panel and Board are not remunerated for their services as board members or for other services provided to the organisation. The most significant element of members' expenses is travel to meetings. In 2014, members incurred a total of £472 through expenses reimbursed.

An Ex Gratia payment of £30,000 was made during 2013/14 in respect of a previous employee of the school.

10 Charitable Property

	Royal Hospital School £'000	Sheltered Housing £'000	Total £'000
Cost at 1 April	36,154	6,729	42,883
Additions	122	-	122
Cost at 31 March	<u>36,276</u>	<u>6,729</u>	<u>43,005</u>
Depreciation at 1 April	7,251	1,556	8,807
Charge for the year	812	115	927
Depreciation at 31 March	<u>8,063</u>	<u>1,671</u>	<u>9,734</u>
Net book value at 31 March 2014	<u>28,213</u>	<u>5,058</u>	<u>33,271</u>
Net book value at 31 March 2013	<u>28,903</u>	<u>5,173</u>	<u>34,076</u>

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.

Greenwich Hospital

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	231	2,270	356	417	1,145	4,419
Additions	5	60	3	81	196	345
Disposals	(1)	(8)	(1)	(49)	(32)	(91)
Cost at 31 March	<u>235</u>	<u>2,322</u>	<u>358</u>	<u>449</u>	<u>1,309</u>	<u>4,673</u>
Depreciation at 1 April	135	1,408	180	349	388	2,460
Charge for the Year	21	169	31	52	188	461
Released on Disposal	(1)	(7)	-	(49)	(28)	(85)
Depreciation at 31 March	<u>155</u>	<u>1,570</u>	<u>211</u>	<u>352</u>	<u>548</u>	<u>2,836</u>
Net Book Value at 31 March 2014	<u>80</u>	<u>752</u>	<u>147</u>	<u>97</u>	<u>761</u>	<u>1,837</u>
Net Book Value at 31 March 2013	<u>97</u>	<u>862</u>	<u>175</u>	<u>68</u>	<u>757</u>	<u>1,959</u>

Included in the above is computer equipment and photocopiers with a net book value at 31 March 2014 of £221,306, (2012-2013 £147,352), held under finance leases. The depreciation charge for the year on these assets was £84,663.

12 Heritage Assets not recognised in the Balance Sheet

The Hospital owns over 700 works of art and artefacts.

	Manuscripts and Plans	Furniture and Clocks	Collectors Items	Sculptures	Pictures	Silver and Plated	Total
National Maritime Museum	13	2	160	23	248	50	496
Royal Pavilion Brighton		12					12
Old Royal Naval College	2	34	4	4	8	35	87
Ganges Museum			1				1
Royal Hospital School	2	9	19	1	34	16	81
GH Headquarters	1	2	2		12		17
Defence College					1		1
Northern Estates		1			3		4
Other Locations	4				2		6
The National Archives	1						1
Total	23	60	186	28	308	101	706

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

Greenwich Hospital

1C). 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.

The Hospital's heritage assets can be split by number and location into the following asset classes:

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 painting 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	Nicholas Lane £'000	Pollen Estate £'000	Property Unit Trust £'000	Total £'000
Valuation at 1st April 2013	85,128	26,399	6,611	2,300	30,675	2,309	153,422
Refunded SDLT					(429)		(429)
Additions	7,470	483	303	-	30	-	8,286
Disposals	(1,453)	(811)	-	(2,300)	-	(2,309)	(6,873)
Revaluation	10,062	1,089	794	-	6,577	-	18,522
Valuation at 31 March 2014	101,207	27,160	7,708	-	36,853	-	172,928

Our Investment in the Property Unit Trust was sold in April 2013. The Hospital sold Nicholas Lane in March 2014.

At 31 March 2013, the Hospital held a 10.2404% 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 2013 and this has been used as the basis for the value of the Hospital's interest in the estate as at 31 March 2014. The Hospital received a refund of Stamp Duty Land Tax (SDLT) from HMRC relating to purchases by the Pollen Estate in previous years. It has now been determined by HMRC that as a Charity Greenwich Hospital should not have paid SDLT. In accounting terms this has been shown as a reduction in costs of adding to the estate but it is shown separately here for clarity.

Other investment property comprises freehold land and buildings and is shown at market value as at 31 March 2014, 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. All of the individuals who undertook valuations have the relevant knowledge, skills, qualifications and understanding to competently value the Estates and did so on a professional basis.

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

Greenwich Hospital

classed as investment properties as they are currently being occupied by other organisations under operating leases on peppercorn rents. 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 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 a small patch of land next to Greenwich Pier. Greenwich Council did not renew its lease in 2009 and the 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 identified for this land. 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.

Included in the Greenwich Estate property is the Estate Management office at 6 College approach valued at £300,000 (2012-13 £300,000). This is provided rent free to BNPP as part of the estate management contract.

Greenwich Hospital

14 Quoted investments - Available for sale financial assets

	2013-14	2012-13
	£'000	£'000
Market value at 1 April 2013	84,624	77,043
Additions at cost	4,382	18,686
Value of investments sold	(4,407)	(20,486)
Unrealised gain on revaluation	503	9,381
Market value at 31 March 2014	<u>85,102</u>	<u>84,624</u>

	Cost Price	Market value	Market value
	£'000	2013-14	2012-13
		£'000	£'000
UK Equity Funds	28,958	34,132	31,127
Global/International Equity Funds	32,867	37,068	39,917
Global/International Bond Funds	9,813	10,102	10,101
Cash Funds Newton			-
Reade Accumulation Fund	2,651	3,800	3,479
	<u>74,289</u>	<u>85,102</u>	<u>84,624</u>

15 Stocks

	£'000	£'000	£'000	£'000
RHS Maintenance Consumable Stores	53	56	53	56
RHSEL Consumable Stores	2	1		
	<u>55</u>	<u>57</u>	53	56

The stock held comprises day to day items such as light bulbs and stationery.

Greenwich Hospital

16 Debtors: Amounts falling due within one year

	Group 2013-14 £'000	Group 2012-13 £'000	Charity 2013-14 £'000	Charity 2012-13 £'000
School fees receivable	158	100	158	100
Rents receivable	1,839	842	1,839	842
Other debtors	614	1,463	606	1,459
Amounts due from subsidiary			565	393
Prepayments	324	320	324	320
	2,935	2,725	3,492	3,114

No material balances are held with government bodies.

17 Reconciliation of increase in cash to movement in net funds

	Group 2013-14 £'000	Group 2012-13 £'000	Charity 2013-14 £'000	Charity 2012-13 £'000
Increase/(Decrease) in short term deposits in the period	2,581	1,152	2,581	1,152
Increase in cash in the period	(268)	(2,401)	(438)	(2,720)
Change in net funds resulting from cash flows	2,313	(1,249)	2,143	(1,568)
Net funds at 1 April 2013	6,848	8,097	6,351	7,919
Net funds at 31 March 2014	9,161	6,848	8,494	6,351

Analysis of net funds

	Charity As at 31 March 2013 £'000	Charity Cash flow £'000	Charity As at 31 March 2014 £'000
Short term deposits	2,671	2,581	5,252
Government Banking - Citibank	1,198	(613)	585
Other accounts and cash in hand	2,476	161	2,637
Capital and income accounts with Newton	6	14	20
	6,351	2,143	8,494

	Group As at 31 March 2013 £'000	Group Cash Flow £'000	Group As at 31 March 2014 £'000
Short term deposits	2,671	2,581	5,252
Government Banking - Citibank	1,198	(613)	585
Other accounts and cash in hand	2,973	331	3,304
Capital and income accounts with Newton	6	14	20
	6,848	2,313	9,161

Greenwich Hospital

18 Creditors

	Group	Group	Charity	Charity
	2013-14	2012-13	2013-14	2012-13
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade creditors	974	737	974	737
School fees and related amounts received in advance	212	260	212	260
School Fee Deposits	784	763	784	763
Rents received in advance	720	602	720	602
Rent Deposits	387	428	387	428
Other creditors	554	1,482	442	1,373
PAYE & NI	176	477	176	477
VAT	248	219	248	219
Travers Foundation	239	156	239	156
Pension Contributions	91	81	91	81
Obligations under finance leases	72	84	72	84
Accruals	462	510	462	510
	4,919	5,799	4,807	5,690
Amounts falling due after one year				
Obligations under finance leases	191	63	191	63
Education Grants				
Sea Cadets Grant	250	500	250	500
	5,360	6,362	5,248	6,253

19 Pension Provision

Pension benefits to Greenwich Hospital non teaching staff were historically provided through defined benefit schemes analogous to Civil Service pension arrangements. These schemes are now closed to new members but the Hospital still has 436 members in the schemes of which 115 are current employees. These pensions are unfunded with the cost of benefits met by Greenwich Hospital's cash flow each year.

There are four defined benefit schemes; either a final salary scheme (Classic, Premium, Classic plus or a whole career scheme Nuvos. Pensions payable under the schemes are increased annually in line with changes in the Consumer Prices Index (CPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account). Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service; in addition, a lump sum equivalent to three years' pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in Premium. In Nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with CPI. In all cases members may opt to give up (commute) pension for a lump sum.

A full actuarial valuation of the liability was carried out as at 31 March 2014 by First Actuarial plc and a provision is included in the balance sheet.

Greenwich Hospital

19 Pension provision

	2013-14 £'000	2012-13 £'000
Balance at 1 April 2013	20,509	19,705
Employee transfer of benefit	-	-
Increase/(Decrease) in provision	938	804
Balance at 31 March 2014	<u>21,447</u>	<u>20,509</u>

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.

	2013-14	2012-13
Discount rate	4.40%	4.50%
Rate of increase in inflation (CPI)	2.60%	2.60%
Rate of increase in salaries	2.80%	3.00%
Rate of increase of pensions in payment	2.60%	2.60%
Rate of increase for deferred pensioners	2.60%	2.60%

	2013-14 £'000	2012-13 £'000
Analysis of the amounts that have been charged to the SOFA		
Amount that has been charged to operating expenditure - Current service cost	(530)	(666)
Amount that has been debited to other financial costs - Interest on liabilities	(922)	(949)

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

Actuarial gain/(loss) recognised in SOFA	(56)	287
--	------	-----

Movement of liability during the year

	2013-14 £'000	2012-13 £'000
Liability at beginning of the year	20,509	19,705
Current service cost	530	666
Pension payments made during the year	(682)	(624)
Employees' contributions	112	100
Interest on Liabilities	922	949
Actuarial gain/(loss)	56	(287)
Liability at end of the year	<u>21,447</u>	<u>20,509</u>

History of liability

	2013-14 £'000	2012-13 £'000	2011-12 £'000	2010-11 £'000	2009-10 £'000
Value of scheme liability	21,447	20,509	19,705	16,924	18,512

Greenwich Hospital

The Actuaries estimate that the Hospitals contribution to the scheme in 2014/15 will be £429k.

Since July 2011 the Hospital has offered defined contribution schemes to all new employees (except teachers at the Royal Hospital School). The schemes have been money-purchase schemes and all deductions paid to Scottish Widows are non refundable. The employer's contributions were a cash cost to the Hospital for the period. At the year end no contributions were outstanding.

The School participates in the Teachers' Pension Scheme (England and Wales) ("the TPS"), for its teaching staff. This is a multi-employer defined benefits pension scheme and it is not possible or appropriate to consistently identify the liabilities of the TPS which are attributable to the School. As required by FRS17 "Retirement Benefits", the School accounts for this scheme as if it were a defined contribution scheme.

The pension charge for the year includes contributions payable to the TPS of £596k (2012-13: £621k). At the year-end £0 (2012-13 - £0) was accrued in respect of contributions to this scheme.

On 4 July 2012 the Chief Secretary to the Treasury confirmed that the Government would be taking forward legislation based on the reformed scheme design for the Teachers' Pension Scheme to be introduced in 2015 as set out in the Teachers' Pension Scheme – Proposed Final Agreement ("the TPS Agreement"). The TPS Agreement sets out the main parameters for both the provision of future pension benefits and the structuring of the future contributions to the TPS including the basis for increasing average employee contribution rates up to 2015.

On 31 January 2013, the Department for Education published the outcome of the consultation on further contributions increases that will apply to members of the TPS in financial year 2013-14 as well as the removal of provisions governing scheme valuations and cap and share arrangements. A revised eight tier salary and employee contribution rate structure has been introduced from 1 April 2013 with employee rates varying between 6.4% and 11.2%. Employer contributions will continue for this period at the current rate 14.1%.

On 25 April 2013 the Public Service Pensions Act 2013 was enacted and provides the arrangements for managing the future TPS costs, including a requirement for scheme regulations which must set an employer cost cap which will be required to be in accordance with Treasury directions.

In light of the new arrangements for setting contribution rates the Government has concluded that there is now no need to carry out the currently suspended TPS actuarial review or the cap and share processes.

Greenwich Hospital

20 Obligations Under Finance Leases

	2013-14 £'000	2012-13 £'000
Gross obligations repayable:		
within one year	89	90
in the second to fifth years	<u>214</u>	<u>64</u>
	<u>303</u>	<u>154</u>
Finance charges repayable:		
within one year	17	6
in the second to fifth years	<u>23</u>	<u>1</u>
	<u>40</u>	<u>7</u>
Net obligations repayable:		
within one year	72	84
in the second to fifth years	<u>191</u>	<u>63</u>
	<u>263</u>	<u>147</u>

21 Operating Lease Commitments

	Land and buildings 2013-14 £'000	Plant and machinery 2013-14 £'000	Land and buildings 2012-13 £'000	Plant and machinery 2012-13 £'000
Operating leases				
within one year	139	40	28	40
in the second to fifth years	543	90	554	130
over five years	509		637	
	<u>1,191</u>	<u>130</u>	<u>1,219</u>	<u>170</u>

There is an operating lease for the Head Office at 1 Farrington St. The remaining operating leases belong to the School.

Greenwich Hospital

22 Operating Leases as a Lessor

	2013-14 £'000	2012-13 £'000
Investment property		
The value of Investment property held for use in operating leases	136,075	120,438
In accordance with our policy on Investment property, no depreciation was charged.	-	-
The aggregate operating lease rentals receivable in respect of accounting period were	5,965	6,025
Charitable property		
The value of Charitable property held for use in operating leases was	5,058	5,173
Depreciation charged in year on these assets was	115	116
The aggregate operating lease rentals receivable in respect of accounting period were	496	482

23 Analysis of Funds

	Accumulated fund £'000	Property revaluation £'000	Investments revaluation £'000	Total funds £'000
Analysis of unrestricted fund movement				
Balance as at 31 March 2013	125,242	120,479	10,579	256,300
Net incoming resources	(986)	-	-	(986)
Gains on sale of investments	3,550	-	-	3,550
Revaluations	-	18,522	503	19,025
Transfer from RHS Bursary Fund	63	-	-	63
Revaluation reserves realised on sales	4,862	(4,455)	(407)	-
Movement in pension provision	(56)	-	-	(56)
Balance as at 31 March 2014	<u>132,675</u>	<u>134,546</u>	<u>10,675</u>	<u>277,896</u>

	Balance at 31 March 2013 £'000	Incoming resources £'000	Resources expended £'000	Balance at 31 March 2014 £'000
Analysis of RHS designated fund movement				
Amenities	12	56	(46)	22
Electron Microscope	2	-	-	2
Music Appeal 2009	17	2	(8)	11
RHS300 Heritage Centre	30	14	(39)	5
MCCF 50% Surplus	24	12	(17)	19
Bursary Fund 2010	75	0	-	75
Annual Fund 2010	0	19	(8)	11
Sports Development Fund	0	21	(10)	11
	<u>160</u>	<u>124</u>	<u>(128)</u>	<u>156</u>

In addition the designated funds above held by the School there are two additional designated reserves. There is an amount equivalent to the unfunded pension liability of £21.4m outlined in note 19 designated for payment of pensions as they fall due. There is

Greenwich Hospital

also a fund designated for future enhancements of the School and to cover any deficits the School makes in the future. This fund represents investments held on the School's behalf by Greenwich Hospital and the accumulated surplus at the School since 2014.

Analysis of RHS designated Capital fund movement

	Balance at 31 March 2013	Incoming resources	Resources expended	Revaluation	Balance at 31 March 2014
	£'000	£'000	£'000	£'000	£'000
Investments	1,119			103	1,222
Surplus for the Year 2014		295			295
	<u>1,119</u>	<u>295</u>	<u>0</u>	<u>103</u>	<u>1,517</u>

Restricted Reserves represent monies received by way of gifts and legacies where the use is limited by specific conditions. They relate to the School and include funds for Bursaries and for specific clubs and societies.

	Balance at 31 March 2013	Incoming resources	Resources expended	Internal Transfer	Balance at 31 March 2014
	£'000	£'000	£'000	£'000	£'000
Analysis of restricted fund					
Houses	27	216	(207)		36
Clubs	110	513	(393)		230
RHS Ocean	6		-		6
Named Prizes	3	-	-		3
RN Bosun Prize	5		-		5
Peter Eaden Memorial	1				1
William Dreddy Soccer Prize	-	1			1
Bursary Fund	211			(63)	148
Sarah Lee Memorial Fund	-				-
Cornish Shrimper Annual Prize	-				-
Old Music School	16		(16)		-
Medical Society					-
DOE Laptops	1		(1)		-
	<u>380</u>	<u>730</u>	<u>(617)</u>	<u>(63)</u>	<u>430</u>

Clubs & Societies - The school runs a number of clubs and societies and well as many trips and tours throughout the year. Included within the Clubs and Societies is the USA band and cultural tour which is due to take place in July 2014. Incoming resources were £156,579 and outgoing resources were £32,221 leaving a balance of £124,358 carried forward

Bursary Fund Restricted - In 2010 the school became entitled to a legacy from the estate from Mrs Martin amounting to £157,242. A further legacy from the estate of Mr Martin amounting to £53,270 was also received. Both legacies were restricted toward funding of pupils' education.

Houses - Our 11 boarding houses receive monies from parents to fund various house social activities including DVD, Games etc.

24 Capital Commitments

As at March 2014 Greenwich Hospital was contractually committed to a redevelopment comprising 2 new residential units on the upper floors of 1 Nelson Road, a four bed town

Greenwich Hospital

house within 21 King William Walk and a shell A3 unit within the ground and basement of 1 Nelson Road. The total contract is £1.1m of which £1m will be incurred after the year end.

25 Grant Commitments

In March 2014 the Hospital agreed to make money available out of income for 2014/15 for the Payment of Jellicoe annuities of £998k. The Hospital also agreed to pay bursaries for the academic year September 2014 to July 2015 which were approved for the 2014/15 financial year. These will be recognised in the 2015 financial statements. £550k has been accrued in the accounts for grants to the Marine Society and Sea Cadets as a contribution to the building of a new training ship. It is anticipated £300,000 will be paid in 2014/15 and the remainder the following year. Two Educational grants, totalling £3.5k, awarded in 2013/14 have been accrued as they will not be paid until 2014/15.

26 Contingent Liabilities

The Hospital had no contingent liabilities at the year end.

27 Related Parties Transactions

The Secretary of State for Defence is the sole 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 Director of Resources chaired the Advisory Panel and was vice chairman of the Advisory Board until July 2013 and part of the reporting line for Greenwich Hospital's Director to the Secretary of State for Defence. She is married to Greenwich Hospital's ex Finance & Investment Director who retired in August 2013. His remuneration in 2013-14 was £39k (2012-13 £73k).

The Ministry of Defence is regarded as a related party and during the year has been reimbursed £17,674 for related costs of staff seconded to Greenwich Hospital.

The Royal Hospital School Enterprises Limited Company, RHSEL, is a subsidiary of the Hospital - see note 6. During 2013-2014 Greenwich Hospital charged RHSEL £137,516.93 plus VAT £27,503.39 totalling £165,020.32

Travers Foundation is 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 of £239,171 (2012-13 156,136) in these accounts.

The Chair of the Advisory Board, Vice Admiral David Steel, was recently appointed Chair of Cessac our longstanding sheltered housing managing agent. We paid Cessac £82,565 in 2013-14 for management of our sheltered housing. In addition Cessac provides a £500 grant each year to a Royal Hospital School pupil moving onto further Education. This is paid by the Hospital and reclaimed from Cessac.

Greenwich Hospital

Board Member Christopher Tite is a member of the Tall Ships Youth Trust. In 2013-14 we paid the Tall Ships Youth Trust £4,800 to provide places in the Tall Ships Race for Royal Hospital School pupils.

The Director of Greenwich Hospital is a Director of The Poppy Factory which received a £66k Grant in 2013/14 as part of the Greenwich Hospital funded RMRMC grant distribution.

The Royal Navy Director of Resources who chaired the Advisory Panel until July 2013 is a Director of RFEA (Regular Forces Employment Agency). RFEA received a £78k Grant in 2013/14 as part of the Greenwich Hospital funded RMRMC grant distribution.

The Director of Greenwich Hospital is a Director of Visit Greenwich. The Company exists to improve and expand the marketing of Greenwich as a tourist destination both locally and nationally. Greenwich Hospital is the freeholder of the historic Greenwich Hospital site (now the ORNC), Greenwich Market and the adjacent residential and commercial property. The Directors have limited liability of £1.

Board member Matthew Thorne is a Director of Custodian REIT plc. There have been no transactions between it and the 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 investments in equity shares and bonds, cash held on deposit and other receivables.

	Group		Charity	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
Financial Assets				
Quoted Investments	85,102	84,624	85,102	84,624
Cash Held	9,161	6,848	8,494	6,351
Rent and Other Receivables	2,935	2,725	3,492	3,114
Total Financial Assets	97,198	94,197	97,088	94,089
Financial Liabilities				
Finance Lease Liabilities	191	63	191	63
Trade and Other Payables	4,654	5,822	4,542	5,713
Total Financial Liabilities	4,845	5,885	4,733	5,776

Interest rate risk

The Hospital's exposure to interest rate is not material due to the small proportion of financial assets held as cash on deposit and rent and other receivables. The impact of interest rate movements on the value of quoted investments is considered under the section "Quoted investment price risk". Finance leases are on fixed rentals and interest rate movements have no impact on the value of trade and other payables.

Foreign currency risk

The Hospital has exposure to currency risk through its holdings in collective funds which invest in non-Sterling denominated quoted investments. These investments are held for the long term so it is the Hospital's policy not to hedge the net investment in each foreign currency and risk is managed through diversification. In addition, the proportion of such funds relative to the whole portfolio is monitored regularly.

Greenwich Hospital

Quoted investment price risk

Investments are managed by professional fund managers in line with the Hospital's Investment Policy which aims to balance risk and return effectively by placing limits on the amounts invested in different classes of assets; risk is positively managed through diversification across asset types and geographies. The policy is reviewed annually by the Advisory Panel, with the objective of safeguarding the Hospital's investment assets and maximising total return from the assets.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Hospital. The Hospital is exposed to credit risk in respect of its cash deposits and rent receivables.

At 31.03.2014, cash deposits were invested with banks of sound credit standing of at least Standard & Poor's A-2 rating.

Rent receivables consist of amounts due from a large number of tenants, spread across diverse residential and commercial sectors. Procedures are in place to check the financial standing of all new counterparties before commencement of tenancies. An active credit control policy is applied to the management of rent arrears.

29 Post Balance Sheet Events

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.

Since the end of the financial year we have received an offer to purchase the Hospital's share of the Pollen Estate. The price offered was over £20m higher than the £37m market value included in the accounts. The offer was not accepted.

Travers Foundation

1 Statement of Trustee's and Director's responsibilities

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. 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.

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.

2 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 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; and
- 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 15 of these accounts.

Review of the effectiveness of internal controls

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.

Travers Foundation

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

Hugh Player

Director of Greenwich Hospital

6th November 2014

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 31 March 2014 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 the 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 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 Travers Foundation; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Greenwich Hospital and Travers Foundation Accounts 2013-14 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 2014 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 Review of Operations, Achievements and Performance and the Financial Review, 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 returns adequate for my audit have not been received from branches not visited by my staff; or

Travers Foundation

- 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; or
- the Governance statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

17th November 2014

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

Travers Foundation

Statement of Financial Activities for the year ended 31 March 2014

	Note	2013-14 £	2012-13 £
Incoming resources			
Investment income			
Property		52,633	38,457
Investments		31,712	26,748
Total incoming resources		84,345	65,205
Resources expended			
Investment costs			
Property		17,046	7,199
Audit fees		2,000	2,000
Total resources expended		19,046	9,199
Net incoming resources before transfers and other recognised gains and losses		65,299	56,006
Other recognised gains/(losses)			
Revaluation of investment properties	2	840,166	107,000
Revaluation of quoted investments	3	45,968	108,119
Net movement in funds		951,433	271,125
Total funds brought forward at 1 April 2013	8	4,200,395	3,929,270
Total funds carried forward at 31 March 2014		5,151,828	4,200,395

All activities are classed as continuing.

All recognised gains and losses are shown above.

The notes on pages 58 to 61 form part of the accounts.

Travers Foundation

Balance Sheet as at 31 March 2014

	Note	2014 £	2013 £
Fixed assets			
Investment property	2	4,002,882	3,160,781
Quoted investments	3	911,260	865,292
		<u>4,914,142</u>	<u>4,026,073</u>
Current assets			
Debtors	4	239,378	176,282
Cash at bank and in hand	5	308	40
Prepayments		-	-
		<u>239,686</u>	<u>176,322</u>
Current liabilities (amounts falling due within one year)	6	2,000	2,000
Total assets less current liabilities		<u>5,151,828</u>	<u>4,200,395</u>
Funds			
Unrestricted funds	8	<u>5,151,828</u>	<u>4,200,395</u>

Hugh Player

Director of Greenwich Hospital

6th November 2014

Cash Flow Statement for the year ended 31 March 2014

	Note	2013-14 £	2012-13 £
Net cash inflow from operating activities			
Net incoming resources		65,299	56,006
Increase in debtors		(63,096)	(23,477)
Increase in creditors		-	1,000
		<u>2,203</u>	<u>33,529</u>
Investing activities			
Payments to acquire investments	3	-	(100,072)
Payments to acquire property	2	(1,935)	(6,781)
Receipts from sale of investments		-	73,000
		<u>(1,935)</u>	<u>(33,853)</u>
Increase in cash and cash equivalents	5	<u>268</u>	<u>(324)</u>

Travers Foundation

3 Notes to the Accounts for the year ended 31 March 2014

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 2014 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 at bank**

Cash held with investment manager 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 2014, 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 have been no acquisitions or disposals during the financial year ending 31 March 2014. Property revaluation increased by £842k and capitalised fees were £1,934.

3 QUOTED INVESTMENTS - AVAILABLE FOR SALE FINANCIAL ASSETS

	2013-14 £	2012-13 £
Market value at 1 April 2013	865,292	730,101
Additions at cost	-	100,072
Value of investments sold	-	(73,000)
Unrealised (loss)/profit on revaluation	45,968	108,119
Market value at 31 March 2014	<u>911,260</u>	<u>865,292</u>

The book cost as at 31 March 2014 was £668,818

4 DEBTORS

	2013-14 £	2012-13 £
Amounts falling due within one year		
Due from Greenwich Hospital	239,171	156,136
Rents receivable	207	19,250
Accrued income	-	-
Prepayments	-	896
	<u>239,378</u>	<u>176,282</u>

5 CASH IN BANK AND HAND

	As at 31/03/2013 £	Cash flow £	As at 31/03/2014 £
Cash at bank and in hand	<u>40</u>	<u>268</u>	<u>308</u>

6 CREDITORS

	2013-14 £	2012-13 £
Amounts falling due within one year		
Accruals	<u>2,000</u>	<u>2,000</u>

Travers Foundation

7 OPERATING LEASES AS LESSOR

	2013-14	2012-13
	£	£
The value of investment assets held for use in operating leases	4,002,882	3,160,781
In accordance with our policy on investment assets, no depreciation was charged.	-	-
The aggregate operating lease rentals receivable in respect of an accounting period were	52,633	38,457

8 ANALYSIS OF FUNDS

	2013-14	2012-13
	£	£
Analysis of unrestricted fund movement		
Balance at 1 April	4,200,395	3,929,270
Net incoming resources	65,299	56,006
Revaluation of investment properties	840,166	107,000
Revaluation of quoted investments	45,968	108,119
Balance as at 31 March	<u>5,151,828</u>	<u>4,200,395</u>

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 investments in equity shares and bonds, cash held on deposit and other receivables.

Travers Foundation

	2013/14	2012/13
Financial Assets		
Quoted Investments	911,260	865,292
Cash Held on Deposit	268	308
Rent and Other Receivables	239,378	176,282
Total Financial Assets	<u>1,150,906</u>	<u>1,041,882</u>
Financial Liabilities		
Trade and Other Payables	<u>2,000</u>	<u>2,000</u>
Total Financial Liabilities	<u>2,000</u>	<u>2,000</u>

Interest rate risk

The Hospital's exposure to interest rate is not material due to the small proportion of financial assets held as cash on deposit and rent and other receivables. The impact of interest rate movements on the value of quoted investments is considered under the section "Quoted investment price risk". Finance leases are on fixed rentals and interest rate movements have no impact on the value of trade and other payables.

Foreign currency risk

The Hospital has exposure to currency risk through its holdings in collective funds which invest in non-Sterling denominated quoted investments. These investments are held for the long term so it is the Hospital's policy not to hedge the net investment in each foreign currency and risk is managed through diversification. In addition, the proportion of such funds relative to the whole portfolio is monitored regularly.

Quoted investment price risk

Investments are managed by professional fund managers in line with the Hospital's Investment Policy which aims to balance risk and return effectively by placing limits on the amounts invested in different assets; risk is positively managed through diversification across asset types and geographies. The policy is reviewed annually by the Advisory Panel, with the objective of safeguarding the Hospital's investment assets and maximising total return from the assets.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Hospital. The Hospital is exposed to credit risk in respect of its cash deposits and rent receivables.

At 31.03.2014, cash deposits were invested with banks of sound credit standing of at least Standard & Poor's A-2 rating.

Rent receivables consist of amounts due from a large number of tenants, spread across diverse residential and commercial sectors. Procedures are in place to check the financial standing of all new counterparties before commencement of tenancies. An active credit control policy is applied to the management of rent arrears.

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