

**Greenwich Hospital and Travers
Foundation Accounts 2009-2010**

Accounts of Greenwich Hospital and the Foundation of Samuel Travers, Esquire, showing the Statements of Financial Activities for the year ended 31 March 2010 and Balance Sheets as at 31 March 2010, together with the Reports of the Comptroller and Auditor General thereon (in continuation of House of Commons Paper No. 1106 2000-01).

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

Greenwich Hospital and Travers Foundation Accounts 2009-2010

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Greenwich Hospital

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Greenwich Hospital

Administrative information

Principal Address

Greenwich Hospital
3 Creed Court
5 Ludgate Hill
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Auditor

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PO19 8FX

Greenwich Hospital

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Main Street
Corbridge
Northumberland NE45 5LD

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London
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Sheltered Housing Managers

CESSAC
1 Shakespeare Terrace
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Portsmouth PO1 2RH

Greenwich Hospital

Review of achievements and performance

Aims and objectives

Greenwich Hospital was established by Royal Charter in 1694 as a home for retired seamen and to provide support for their widows and education for their children. To support its charitable objectives the Hospital seeks to maximise the return on investments and to provide the funds to meet the commitment to pay annuities and grants; to pay bursaries at the Royal Hospital School; to sustain provision of sheltered housing and to make donations to other naval charities.

Greenwich Hospital is a Crown body which in meeting the requirements of its Royal Charter operates entirely as a charity. HMRC treats Greenwich Hospital as a charity and thus the Hospital is not liable either to income tax on its investment income or to stamp duty land tax. The legal personality of Greenwich Hospital is the Secretary of State for Defence, who holds all the land, property and financial assets of Greenwich Hospital and they are vested in him in trust for the Sovereign for the exclusive benefit of Greenwich Hospital (Greenwich Hospital Act 1865 s.23).

The Hospital continues to thrive today. It still pays pensions and devotes funds to the education of seafarers' children, especially at the Royal Hospital School which was founded in Greenwich in 1712 and moved to Holbrook, near Ipswich, in 1933. The Hospital provides sheltered housing for elderly seafarers and their spouses in Greenwich, Portsmouth and Plymouth, and makes major grants to other naval charities.

We have continued to work towards the future strategic aims of the charity to increase direct support to naval charity and to move the Royal Hospital School towards greater financial independence.

Royal Hospital School Enterprises Limited was incorporated on 31 March 2008 to take over the non-charitable activities of the Royal Hospital School while retaining the financial benefit for the use of the School.

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

Financial Review

I am pleased to report that Greenwich Hospital has again maintained the broader charitable support that it provides and this year has achieved a significant increase in the total support given to Royal Navy beneficiaries. The Statement of Financial Activities for the year shows a net surplus of £506k (2008-09 £1,117k). The principal sources of income were rental income on investment property and returns on our financial investments. We were satisfied with the returns from our managing agents. The net movement in funds was an increase in the net assets of £31,637k as a result of growth in the stock markets and the revaluation of the investment property.

Grants and pensions

In 2009-10, the Hospital gave support totalling £2,305k to The Royal Naval Benevolent Trust, The Royal Navy and Royal Marines Children's Fund, the Royal Navy and Royal Marines Charity, the Marine Society and Sea Cadets, and a number of other smaller Royal Naval charities. This funded, inter alia, some 1300 weekly 'Jellicoe' pensions to needy former RN and RM non-commissioned seafarers or their widows; grants to individuals; death grants; subsidy for residential care; special needs education; child care provision; and sea training facilities for youngsters. This sum reflects the continuing growth in the Hospital's direct support of Naval charity. It is the Hospital's intention to increase this sum year on year, subject to the availability of funds.

Within that sum the Hospital continued to fund legal and professional fees for the rationalising of Naval charities under the umbrella Royal Navy and Royal Marines Charity (RNRMC) and the employment costs of the RNRMC's CEO, in accordance with the Admiralty Board's directive; these totalled £102k in 2009-10.

From 2010, as the Royal Navy and Royal Marines Charity develops as the umbrella for the majority of Naval charities, it will become the principal conduit through which the Hospital will channel its contribution to existing and new beneficiaries.

Greenwich Hospital

Royal Hospital School

The Royal Hospital School is continuing to develop its strategy of achieving greater financial viability, in particular by attracting more full fee paying pupils. Of the 672 pupils attending in the Spring Term 2010, 104 were day pupils and 176 were full-fee paying boarders. 216 were supported by Greenwich Hospital bursaries or discounts and 176 were the children of serving armed forces personnel. The School has continued to achieve good examination results and received an excellent Independent Schools Inspection (ISI) report during this financial year. The School's Senior Management Team and Board of Governors are addressing the ISI report's recommendations in the context of the School's continuing strategic planning.

The Hospital has made further progress in rebalancing its charitable outputs, in accordance with the Hospital's strategy, by reducing the number of new bursaries awarded from the start point of 77 in 2004 to 16 in 2009. In order to encourage more affluent seafaring families a limited number of 15% discounts were introduced from the academic year 2009-10 with 8 such pupils joining. For the academic year 2010-11 the Hospital has provided for 15 bursaries and 10 discounts; some additional bursaries and discounts may also be awarded. In 2009-10 the Hospital provided £4,423k (2008-09 £5,158k) towards meeting the day-to-day capital and running costs of the School, mainly through subsidies and bursaries for the children and grandchildren of seafarers, assessed according to their charitable need and financial circumstances. From FY 2010-11 the Hospital's contribution to the School will be set at the cost of the bursaries and discounts awarded.

The Royal Hospital School Enterprises Limited company generated £107k (FY 2008-09 £119k) for the unrestricted benefit of the School.

The programme of refurbishing the boarding houses and boarding house staff accommodation is continuing and eight of the ten boarding houses including two junior houses have now been completed. Due to the changing pupil demographics the ninth house will be converted into a day house with work due to complete in September 2010. The refurbishment of the final house will be deferred pending clarification of future requirements and availability of funding. In 2009-10 the Hospital provided £3,215k (2008-09 £6,254k) towards the overall building programme.

Travers Foundation

Income of £43k (2008-09 £44k) was generated from rental income and returns on financial investments. The net movement in funds was an increase in the net assets of £958k. The net income of the Foundation is available to the Hospital.

Future Plans

The planning applications for the regeneration of the Hospital's core properties in Greenwich market were rejected at the Greenwich Council Planning Board meeting in August 2009. We lodged a planning appeal at the end of February 2010 and, following a Public Inquiry which will be held in September 2010 we expect a decision by the Secretary of State for Communities and Local Government early in 2011.

In accordance with the Admiralty Board's directive and our strategic plan, the Hospital will continue to rebalance its charitable output by aiming to further reduce its subsidy to the Royal Hospital School and to increase year on year the amount given to Royal Navy charity. The Hospital will continue to develop its relationship and working procedures with the RNRMC and encourage the integration of other Navy charities with the RNRMC, to provide a single focus to naval charity.

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

Data Security

During 2009-10 Greenwich Hospital has been unaware of any incidents that have resulted in the unauthorised disclosure of protected personal data.

Greenwich Hospital

Public Benefit

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

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

Policies

Reserves policy

Except for certain funds received and held by the Royal Hospital School, the Hospital has received no restricted funds and has not designated any funds. These funds are seen as ready use funds that can be expended and replenished as and when the need arises from invested funds and unrestricted legacies or donations as and when they are received. Our policy is, therefore, to continue building up our unrestricted reserves to an appropriate level by means of annual operating surpluses and judicious management of our investment assets. This is intended to maintain the value of our investment assets in real terms.

Investment policy and objectives

The Hospital's portfolios are managed by investment managers who have been given discretion to manage them by investing in equities and fixed interest securities, within benchmarks which are set and regularly reviewed by the Advisory Panel. The Hospital's asset allocation is intended to maintain income with a relatively low volatility in capital values.

Grant making policy

The Hospital delivers its charitable outputs in accordance with its Royal Charter for public benefit through dispensing block grants to Naval charities and bursary awards at the Royal Hospital School. The charitable funds are derived from the income from investments and the grants are determined through an assessment of demand, need, priority and affordability. The Hospital intends that from 2010 the majority of its grant aid for Naval benevolence will be made through the RNRMC.

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

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

Employee, Environment and Social matters

The Hospital's policies on employee matters, environmental matters and social and community issues are not covered in this review but will be in future years.

Statement as to Disclosure of Information to Auditors

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

M J Sands
Director of Greenwich Hospital

9 July 2010

Greenwich Hospital

Statement of Trustee's and Director's responsibilities

The Secretary of State for Defence is the Trustee of Greenwich Hospital and answerable to Parliament for the affairs of Greenwich Hospital. The Trustee is supported in the exercise of his responsibilities by the Parliamentary Under-Secretary of State for Defence and charges the Admiralty Board with the administration of the Hospital which is overseen by the Director of Greenwich Hospital (DGH). The office of DGH is provided for by the Greenwich Hospital Act 1865 (s.20). DGH is appointed by the Trustee on the advice of the Admiralty Board. DGH is responsible by virtue of a Directive from 2ndPUS for the proper and effective conduct of the functions of Greenwich Hospital including the regularity and propriety of the Hospital's administration adhering faithfully to the spirit of the Charter and complying with the relevant statutes.

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

Statement on Internal Control

Scope of responsibility

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve the policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Greenwich Hospital for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

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

The risk and control framework

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

As the Hospital HQ is not co-located with the Royal Hospital School, responsibility for ensuring compliance with Health and Safety legislation is delegated to the Headmaster, albeit that the School has no separate legal identity from the Hospital and ultimately bears the legal responsibility: the Director of the Hospital is automatically informed of incidents involving Health and Safety. Auditors (Larking Gowen) were appointed to report to the Director about the results of the School at year end. The Director is an ex officio governor of the School and sits on the main board of governors and also sits on the Education, Finance, Property, Remuneration and Strategic Development Sub Committees.

Greenwich Hospital

The awards of grants and annuities to naval charities are formally notified to the charities by letter noting any specific breakdown reflected in the bid, following screening of the bids and approval of the budget by the Advisory Board. Charities are required to render to Greenwich Hospital the audited Accounts and Annual Review in which formal acknowledgement of the grants and annuities are recorded. In FY2010-11 grants and annuities will be channelled via the Royal Navy & Royal Marines Charity (RNRMC) and will be governed by a formal Memorandum of Understanding covering the detailed processes and audit trail requirements.

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

Review of the effectiveness

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

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

M J Sands
Director of Greenwich Hospital

9 July 2010

Greenwich Hospital

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of Greenwich Hospital for the year ended 31st March 2010 under the Greenwich Hospital Act 1865. These comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Trustee, Director and Auditor

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

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

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

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

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

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

Basis of audit opinions

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

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

Greenwich Hospital

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Greenwich Hospital Act 1865 of the state of Greenwich Hospital's affairs as at 31st March 2010 and of its incoming resources and application of resources for the year then ended;
- the financial statements have been properly prepared in accordance with the Greenwich Hospital Act 1865 and the accounting policies set out within them; and
- information, which comprises the Review of achievements and performance, is consistent with the financial statements.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

13 July 2010

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

Greenwich Hospital

Statement of Financial Activities for the year ended 31 March 2010

	Notes	2009-10 £'000	2008-09 £'000
Incoming resources			
Net income from property	2	3,290	3,736
Net income from investments	3	4,156	4,413
Bank interest receivable		140	577
Other income		173	33
Total incoming resources		7,759	8,759
Resources expended			
Net Royal Hospital School expenses	4	3,954	4,563
Net sheltered housing expenses		106	97
Grants, pensions and donations	6	2,305	2,077
Net resources expended		6,365	6,737
Headquarters administration	7	888	905
Net incoming resources before transfers and other recognised gains and losses		506	1,117
Interest on pension liabilities	16	(911)	(979)
Actuarial (loss)/gain on pension scheme	16	(2,222)	(356)
Gain/(loss) on realisation of assets			
Investment properties		396	90
Quoted investments		626	(1,166)
Revaluation of assets			
Investment properties	11	16,046	(32,338)
Quoted investments	12	17,196	(18,189)
Other reserves		-	50
Net movement in funds		31,637	(51,771)
Balance at 1 April		198,422	250,193
Total fund balances at 31 March		230,059	198,422

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

The notes on pages 15 to 27 form part of these accounts.

Greenwich Hospital

Balance Sheet as at 31 March 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Charitable property	9	34,764	32,679
Other tangible assets	10	<u>1,528</u>	<u>1,139</u>
		36,292	33,818
Investment property	11	127,547	109,174
Quoted investments	12	<u>79,129</u>	<u>59,818</u>
		206,676	168,992
Investment in subsidiary	5	-	-
Total fixed assets		<u>242,968</u>	<u>202,810</u>
Current assets			
Debtors	13	2,677	2,339
Short term deposits	14	4,009	8,000
Cash at bank and in hand	14	<u>2,196</u>	<u>4,585</u>
		8,882	14,924
Current liabilities (amounts falling due within one year)	15	(3,274)	(3,825)
Net current assets		<u>5,608</u>	<u>11,099</u>
Total assets		248,576	213,909
Pension provision	16	(18,512)	(15,477)
Other provision	22	(5)	(10)
Net assets		<u>230,059</u>	<u>198,422</u>
Funds			
Unrestricted funds	21	<u>230,059</u>	<u>198,422</u>

The cash flow statement on page 14 and notes on pages 15 to 27 form part of these accounts.

M J Sands
Director of Greenwich Hospital

9 July 2010

Greenwich Hospital

Cash Flow Statement for the year ended 31 March 2010

	Notes	2009-10 £'000	2008-09 £'000
Net cash flow from operating activities			
Net incoming resources		506	1,117
Movement of pension liability during the year		(98)	(67)
Movement in other reserves		-	50
Depreciation		1,212	1,113
(Profit)/loss on sale of tangible fixed assets		(24)	3
Increase in debtors		(89)	(259)
(Decrease)/Increase in creditors		(294)	399
Decrease in other provision		(5)	(5)
Net rental income	2	(3,290)	(3,736)
Net investment income	3	(4,156)	(4,413)
		<u>(6,238)</u>	<u>(5,798)</u>
Returns on investments			
Investment interest received		1,253	1,169
Dividends received		3,179	3,205
Fund management fees		(237)	(278)
Rent received from investment property		5,704	6,516
Expenses paid on investment property		(2,957)	(2,689)
		<u>6,942</u>	<u>7,923</u>
Charitable capital expenditure			
Payments to acquire or improve property	9	(2,967)	(6,321)
Payments to acquire other tangible fixed assets	10	(738)	(558)
Receipts from sale of other tangible fixed assets		41	34
		<u>(3,664)</u>	<u>(6,845)</u>
Non charitable capital and financial investment expenditure			
Payments to acquire or improve property	11	(2,747)	(2,369)
Receipts from sale of property and other capital receipts		816	1,654
Payments to acquire investments	12	(31,474)	(33,560)
Receipts from sale of investments		29,985	43,016
		<u>(3,420)</u>	<u>8,741</u>
Movement in liquid resources			
		<u>(6,380)</u>	<u>4,021</u>
(Decrease)/Increase in short term deposits	14	(3,991)	3,500
(Decrease)/Increase in cash	14	(2,389)	521
		<u>(6,380)</u>	<u>4,021</u>

We have split the cash flow statement between investing and charitable activities to provide the reader of the accounts with more information about the Hospital's activities. Movements in debtors and creditors relating to investing and charitable activities have been included within the investing and charitable cash flows to which they relate.

The notes on pages 15 to 27 form part of these accounts.

Greenwich Hospital

Notes to the Accounts for the year ended 31 March 2010

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 decision has been taken to implement, over a number of years, the underlying principles of the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005). As part of Greenwich Hospital's continuing implementation of SORP 2005, the notes relating to Tangible Assets and Current Assets have been modified this year. This is a change in presentation and has not resulted in any change to the figures presented. Full compliance with SORP 2005 is continuing to be phased in so far as the requirements are considered to be appropriate to the circumstances of the Hospital without limiting the information given.

The accounts meet the accounting and disclosure requirements of the Companies Act and accounting standards issued or adopted by the Accounting Standards Board, so far as those requirements are considered to be appropriate. Greenwich Hospital has not met the accounting and disclosure requirements of the SORP 2005, Companies Act and accounting standards issued or adopted by the Accounting Standards with respect to:

Review of achievement and performance

- Disclosure of performance against creditor terms and Greenwich Hospital's policy
- Disclosure of relationships with key stakeholders

Statement of financial activities

- The presentation of the Statement of Financial Activities is not in full compliance, in particular the presentation of net figures, the classification between restricted and unrestricted funds and reporting by charitable objectives

Balance sheet

- The presentation of the Balance sheet is not in full compliance, in particular the classification between restricted and unrestricted funds.

Note 5 to the accounts discloses the results for the Royal Hospital School Enterprises Limited. As the subsidiary is not material to the group, consolidation is not required as per SORP 2005.

b 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 2010 has been approved by the Director based upon valuations provided by the appointed Chartered Surveyors for the estates in line with RICS Red Book standards.

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

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

Works of Art and artefacts have been acquired historically through bequest and legacies. 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 form part of the loan to the National Maritime Museum (NMM) or may be of national historic or cultural significance, disposal would be reviewed and agreed with the NMM.

Greenwich Hospital

Accounting policies (continued)

e Lease premiums

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.

f 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.

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 balance sheet valuation or cost if purchased during the year.

h Cash and bank

The Hospital maintains a bank account with the Government Banking Service (previously Paymaster General) in accordance with the provisions of the Greenwich Hospital Act 1865 and also maintains a number of current and deposit accounts with HSBC Bank plc.

i Payments

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

j Depreciation

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

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

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

k Pension schemes

Greenwich Hospital operates an unfunded, contracted out non-contributory pension scheme to provide retirement and related benefits to all eligible employees. The scheme is analogous to that of the Principal Civil Service Pension Scheme and Greenwich Hospital is responsible for paying pensions to retired employees other than teachers. Teaching staff at the Royal Hospital School are members of the Teachers' Superannuation Scheme, the nature of this scheme is set out in note 16.

l Provisions

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

Greenwich Hospital

2 Net rental income

	Income £'000	Expenditure £'000	Surplus 2009-10 £'000	Surplus 2008-09 £'000
Greenwich estate	4,223	2,455	1,768	1,416
Northern estates	587	264	323	215
Holbrook estate	157	70	87	40
London property	118	1	117	117
Pollen estate	898	13	885	1,832
Property unit trust	117	7	110	116
Total	6,100	2,810	3,290	3,736

3 Income from investments

	2009-10 £'000	2008-09 £'000
UK equities	2,278	2,350
UK fixed interest	1,236	1,271
Overseas investments	771	824
Cash instruments	22	125
Reade Accumulation fund	112	107
Total income from investments	4,419	4,677
Less: Investment managers' fees	(263)	(264)
Net income from investments	4,156	4,413

4 Royal Hospital School

	Note	2009-10 £'000	2008-09 £'000
Income			
School fees		8,518	7,361
Incidental charges		261	220
Supplementary income		608	222
Income from lettings and hire of facilities		54	67
Legacy received		157	-
Gift aid donation from Royal Hospital School Enterprises Limited	5	107	119
		9,705	7,989
Expenditure			
Teachers' salaries		4,555	4,359
Support staff salaries		3,200	3,074
Academic		1,632	1,628
Premises and facilities		1,934	1,795
Administration		662	521
Depreciation		1,058	960
Supplementary expenses		618	215
		13,659	12,552
Excess of expenditure over income		3,954	4,563

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

Greenwich Hospital

5 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	2009-10 £'000	2008-09 £'000
Income			
Summer lettings		153	185
Catering income		21	14
Income from hire of facilities		10	10
Other income		7	2
		<u>191</u>	<u>211</u>
Expenditure			
Catering costs		19	13
Summer letting catering costs		60	76
Accountancy		2	1
Audit fees		2	2
Administration		1	-
		<u>84</u>	<u>92</u>
Gift aid donation	4	107	119
		<u>-</u>	<u>-</u>
Surplus for the period			
Cash		108	119
Debtors		3	3
Creditors: amounts falling due within one year		(111)	(122)
		<u>-</u>	<u>-</u>
Total assets less current liabilities			
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>-</u>	<u>-</u>

Greenwich Hospital

6 Grants, pensions and donations

	2009-10 £'000	2008-09 £'000
Assistance to RNRMC, RNRMC constituent naval charities and Tri Service charities		
RNRMC Naval and TriService Charities	132	150
RNRMC CEO Salary and legal fees	102	102
Annuities		
Jellicoe Annuities	811	811
Assistance to Independent naval charities		
Royal Naval Benevolent Trust (RNBT)	452	321
Royal Navy & Royal Marines Children's Fund (RN&RMCF)	590	453
Royal Sailors' Rest's (RSR)	35	43
Women's Royal Naval Service Benevolent Trust (WRNSBT)	62	60
Miscellaneous grants and donations		
Sea Cadets	100	75
South Atlantic Medal Association	-	20
Educational Grants	1	4
Other Donations	20	38
	2,305	2,077

The Royal Navy and Royal Marines Charity (RNRMC) was established as a charitable company to rationalise over 60 internal Naval Charities embracing, amenities, sport, prizes, benevolence, death in service grants and progressively to encourage the independent external charities to join the RNRMC to provide a single focus for Naval Charity. In addition there would be a saving on administrative and governance costs and the potential to increase investment performance. Since establishing the RNRMC a number of external Naval charities have already joined. Following a request from Second Sea Lord in November 2006 the Hospital agreed to fund a CEO when appointed and legal advice specific to charities joining the RNRMC until such time as the Charity was firmly established and was able to absorb the costs of the CEO.

On 1 April 1983 the Admiralty Board agreed proposals for the Hospital to assist the RNBT by providing grants to fund the Jellicoe annuities.

Trustees of the 3 Independent Naval Benevolence Charities have yet to make the final decision to join the RNRMC, the RSR trustee body has, due to a specific religious charitable object, opted to remain independent.

The Hospital has contributed £100k in 2009-10 to the Sea Cadets Charity towards the completion and commissioning of the new training vessel TS JACK PETCHEY and the rebuild and fitting out of the shore based unit TS BOSCOWAN at Weymouth. Other donations included £18k to funding the work of the World Heritage Site Steering Group, £500 to the Charity Tax Group, £850 contribution to the Greenwich Society, a charity which seeks to protect the local heritage and improve the local amenities, in aid of the summer festival and £500 towards defraying the costs of the Annual Seafarers Service at St Paul's Cathedral.

7 Headquarters administration

	2009-10 £'000	2008-09 £'000
Salaries and wages	602	574
Audit fee	27	33
Professional, legal and consultancy fees	73	54
Depreciation	29	32
Office expenses	157	212
	888	905

Greenwich Hospital

8 Staff

	2009-10 £'000	2008-09 £'000
Total staff costs were as follows:		
Salaries and wages	7,109	6,788
Social security costs	505	504
Pension costs	1,026	913
	<u>8,640</u>	<u>8,205</u>

Composed of:

Royal Hospital School	7,755	7,440
Headquarters administration	602	557
Sheltered housing	68	59
Northern estates	49	41
Greenwich estate	166	108
	<u>8,640</u>	<u>8,205</u>

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

	2009-10	2008-09
£60,000 to £69,999	9	2
£70,000 to £99,999	2	2
£100,000 to £119,999	1	1

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

Royal Hospital School	217	217
Headquarters administration	13	13
Sheltered housing	3	3
Northern estates	2	2
Greenwich estate	3	2
	<u>238</u>	<u>237</u>

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

	£	£
Salary	70,987	69,544
Employer's pension cost	1,863	-
	<u>72,850</u>	<u>69,544</u>

Martin Sands, as the Director was entitled to pension benefits under the Hospital's contracted out non-contributory defined benefit scheme (see Note 1). The Director joined the scheme in June 2009. The Cash Equivalent Transfer Value (CETV) as at 31 March 2010 was £20,050. The Director did not receive any benefits in kind.

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

Greenwich Hospital

9 Charitable property

	Royal Hospital School				
	Assets under construction £'000	Freehold land and buildings £'000	Total £'000	Sheltered Housing £'000	Total £'000
Cost at 1 April	941	30,162	31,103	6,729	37,832
Additions	-	2,967	2,967	-	2,967
Transfer	(673)	673	-	-	-
Cost at 31 March	<u>268</u>	<u>33,802</u>	<u>34,070</u>	<u>6,729</u>	<u>40,799</u>
Depreciation at 1 April	-	4,060	4,060	1,093	5,153
Charge for the year	-	767	767	115	882
Depreciation at 31 March	<u>-</u>	<u>4,827</u>	<u>4,827</u>	<u>1,208</u>	<u>6,035</u>
Net book value at 31 March 2010	<u>268</u>	<u>28,975</u>	<u>29,243</u>	<u>5,521</u>	<u>34,764</u>
Net book value at 31 March 2009	<u>941</u>	<u>26,102</u>	<u>27,043</u>	<u>5,636</u>	<u>32,679</u>

The Royal Hospital School occupies approximately 150 acres of the Holbrook Estate. The School has been valued by Cluttons LLP, an independent firm of valuers at £31m as at 31 March 2005, on the basis of its existing use. The carrying value of the School has not been updated, following the annual review for impairment.

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.

The Hospital plans to have charitable property valued by independent valuers as of 31 March 2011 and to record the results in next year's accounts.

10 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	299	1,291	336	391	548	2,865
Additions	69	535	27	30	77	738
Disposals	(106)	(19)	(23)	(49)	(35)	(232)
Cost at 31 March	<u>262</u>	<u>1,807</u>	<u>340</u>	<u>372</u>	<u>590</u>	<u>3,371</u>
Depreciation at 1 April	262	624	183	277	380	1,726
Charge for the Year	14	197	27	79	13	330
Released on Disposal	(107)	(13)	(28)	(58)	(7)	(213)
Depreciation at 31 March	<u>169</u>	<u>808</u>	<u>182</u>	<u>298</u>	<u>386</u>	<u>1,843</u>
Net Book Value at 31 March 2010	<u>93</u>	<u>999</u>	<u>158</u>	<u>74</u>	<u>204</u>	<u>1,528</u>
Net Book Value at 31 March 2009	<u>37</u>	<u>667</u>	<u>153</u>	<u>114</u>	<u>168</u>	<u>1,139</u>

In addition to the tangible fixed assets included in the balance sheet, Greenwich Hospital owns over 600 works of art and artefacts. In accordance with the provisions of the National Maritime Museum Act 1934, the majority of the collection is on permanent loan to the National Maritime Museum in Greenwich (see note 1). In accordance with the provisions of SORP 2005 (Paragraph 283(a)), these assets are not capitalised.

Greenwich Hospital

11 Investment property

	Greenwich Estate £'000	Northern Estates £'000	Holbrook Estate £'000	London Property £'000	Pollen Estate £'000	Property Unit Trust £'000	Total £'000
Valuation at 1 April	55,149	22,748	5,118	2,020	21,955	2,184	109,174
Additions	2,693	54	-	-	-	-	2,747
Disposals	-	(420)	-	-	-	-	(420)
Revaluation	15,811	1,876	332	-	(2,037)	64	16,046
Valuation at 31 March	73,653	24,258	5,450	2,020	19,918	2,248	127,547

At 31 March 2010, the Hospital held a 10.2257% beneficial interest in the Pollen Estate, which is an independent trust investing in property. CB Richard Ellis Ltd provided a valuation for the Pollen Estate Trustee Company as at 31 December 2009 and this has been used as the basis for the value of the Hospital's interest in the estate as at 31 March 2010.

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

Other investment property comprises freehold land and buildings and is shown at market value as at 31 March 2010, as approved by the Director based upon valuations provided by the appointed Chartered Surveyors for the estates. The property agents NB Real Estate provided a valuation of the Greenwich Estate, the property agents Smiths Gore provided a valuation of the Northern Estates and Strutt & Parker provided a valuation of the Holbrook Estate. Hunters Property Investment Limited provided a valuation for the London Property. All of the individuals who undertook valuations have the relevant knowledge, skills, qualifications and understanding to competently value the Estates.

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

In addition to the above items, Greenwich Hospital also owns the Old Royal Naval College, the Dreadnaught Seaman's Hospital and Devonport Nurses Home. These buildings are classed as investment properties as they are currently being occupied by other organisations under operating leases. Each operating lease lasts for 150 years from 1998. These buildings are part of the Maritime Greenwich World Heritage Site (UNESCO reference 795).

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.

Due to the nature of these assets, and the terms on which they are occupied, their value is considered to be nominal. As such, no value has been ascribed to these assets in these accounts.

12 Quoted investments - Available for sale financial assets

	2009-10 £'000	2008-09 £'000
Market value at 1 April	59,818	88,627
Additions at cost	31,474	33,560
Value of investments sold	(29,359)	(44,180)
Unrealised gain/(loss) on revaluation	17,196	(18,189)
Market value at 31 March	79,129	59,818
	Market value	Market value
	2009-10	2008-09
	£'000	£'000
General fund	36,894	29,249
Global equity fund	16,933	13,402
Reade accumulation fund	2,183	1,921
Royal London Asset Management	17,500	13,826
HSBC Libor +50	2,204	1,420
	75,714	59,818

Greenwich Hospital

13 Debtors

	2009-10 £'000	2008-09 £'000
Amounts falling due within one year		
School fees receivable	153	180
Rents receivable	1,498	1,253
Other debtors	583	420
Amounts due from subsidiary	107	119
Taxation	-	35
Prepayments	336	332
	<u>2,677</u>	<u>2,339</u>

No material balances are held with other government bodies

14 Reconciliation of increase in cash to movement in net funds

	2009-10 £'000	2008-09 £'000
(Decrease)/Increase in short term deposits in the period	(3,991)	3,500
(Decrease)/Increase in cash in the period	<u>(2,389)</u>	<u>521</u>
Change in net funds resulting from cash flows	(6,380)	4,021
Net funds at 1 April	12,585	8,564
Net funds at 31 March	<u>6,205</u>	<u>12,585</u>

Analysis of net funds

	As at 31 March 2009 £'000	Cash flow £'000	As at 31 March 2010 £'000
Short term deposits	8,000	(3,991)	4,009
Paymaster General	119	402	521
Other accounts and cash in hand	2,247	(1,019)	1,228
General fund	2,151	(1,705)	446
Global equity fund	43	(42)	1
Reade accumulation fund	25	(25)	-
	<u>12,585</u>	<u>(6,380)</u>	<u>6,205</u>

15 Creditors

	2009-10 £'000	2008-09 £'000
Amounts falling due within one year		
Trade creditors	561	939
School fees and related amounts received in advance	122	135
Rents received in advance	438	574
Taxation	256	183
Other creditors	1,295	1,168
Accruals	602	826
	<u>3,274</u>	<u>3,825</u>

No material balances are held with other government bodies

Greenwich Hospital

16 Pension provision

	2009-10 £'000	2008-09 £'000
Balance at 1 April	15,477	14,209
Employee transfer of benefit	7	-
Increase in provision	3,028	1,268
Balance at 31 March	<u>18,512</u>	<u>15,477</u>

Greenwich Hospital has undertaken to provide certain pension provisions to its current and former staff. These benefits are not currently being funded and are provided for out of the Hospital's cash flow. A full actuarial valuation of the liability was carried out as at 31 March 2010 by First Actuarial plc.

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.

	2009-10	2008-09
Rate of increase in inflation (RPI)	3.10%	3.00%
Rate of increase in pension	3.90%	3.00%
Rate of increase in deferred pensions	3.10%	3.00%
Rate of increase of pensionable salaries including merit increases	4.60%	4.50%
Discount rate	5.60%	5.90%

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

Analysis of the amounts that have been charged to the SOFA	2009-10 £'000	2008-09 £'000
Amount that has been charged to operating expenditure		
Current service cost	(414)	(403)
Amount that has been debited to other financial costs		
Interest on liabilities	(911)	(979)

Analysis of the amount that has been recognised in the SOFA as actuarial loss

Loss on liabilities	(512)	(470)
Changes in assumptions	(1,710)	114
Actuarial (loss)/gain recognised in SOFA	<u>(2,222)</u>	<u>(356)</u>

Movement of liability during the year	2009-10 £'000	2008-09 £'000
Liability at beginning of the year	15,477	14,209
Plus movement during year:		
Current service cost	414	403
Pension payments made during the year	(593)	(536)
Employees' contributions	74	66
Employee transfer of benefit	7	-
Other financial costs	911	979
Actuarial loss	2,222	356
Liability at end of the year	<u>18,512</u>	<u>15,477</u>

Greenwich Hospital

16 Pension provision (continued)

A small number of members of the Greenwich Hospital pension scheme have chosen the defined contribution option. The employer's contributions were a cash cost to the Hospital for the period. For 2009-10 employer's contributions of £12,552 were paid (2008-09 £9,324). An amount of £1,046 (2008-09 £718) was outstanding at the year end.

Teaching staff at the Royal Hospital School are covered by the provisions of the Teachers' Pension Scheme. Contributions are payable to the Teachers Pension Agency. The employer's contributions were a cash cost to the Hospital for the period of these accounts. For 2009-10 the rate was 14.1%. Employer's contributions of £548,710 were payable to the Scheme (2008-09 £488,668).

The Teachers' Pension Scheme is an unfunded multi-employer defined benefit scheme but Greenwich Hospital is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out by the Government Actuary's Department as at 31 March 2004 and published in November 2006.

17 Operating lease commitments

	Land and buildings 2009-10 £'000	Plant and machinery 2009-10 £'000	Land and buildings 2008-09 £'000	Plant and machinery 2008-09 £'000
Operating leases which expire				
within one year	98	70	98	78
in the second to fifth years	300	107	398	77
over five years	-	-	-	-
	398	177	496	155

18 Operating leases as lessor

	2009-10 £'000	2008-09 £'000
Operating leases as lessor		
The value of Investment property held for use in operating leases	105,381	85,035
In accordance with our policy on Investment property, no depreciation was charged.	-	-
The aggregate operating lease rentals receivable in respect of an accounting period were	5,085	4,703
	2009-10 £'000	2008-09 £'000
The value of Charitable property held for use in operating leases was	5,521	5,636
Depreciation charged in year on these assets was	115	116
The aggregate operating lease rentals receivable in respect of an accounting period were	219	192

Greenwich Hospital

19 Capital commitments

As at 31 March 2010 there were £1,460k (2008-09 £1,256k) of future capital expenditure contracted for but not provided for in the accounts.

20 Grant commitments

In March 2010, the Hospital agreed to make money available out of income for 2010-11 for the payment of Jellicoe annuities of £811k. The Hospital also agreed to pay bursaries for the academic year September 2009 to July 2010 of which £683k were approved for the 2010-11 financial year. These will be recognised in the 2011 financial statements.

21 Movement in funds

	Accumulated fund	Property revaluation	Investments revaluation	Restricted reserves	Total funds
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	123,741	89,218	(14,876)	339	198,422
Net incoming resources	358	-	-	148	506
Gains on sale of investment properties	396	-	-	-	396
Gains on sale of investments	626	-	-	-	626
Revaluations	-	16,046	17,196	-	33,242
Revaluation reserves realised on sales	(676)	(420)	1,096	-	-
Movement in pension provision	(3,133)	-	-	-	(3,133)
Accumulated Fund as at 31 March	121,312	104,844	3,416	487	230,059

22 Other provision

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

23 Contingent liabilities

The Hospital had no contingent liabilities at year end.

24 Post balance sheet event

There have been no events since the end of the financial year which would affect the understanding of the financial statements. The date of issue of the financial statements will be the same as the date of the Comptroller and Auditor General's Certificate and Report.

Greenwich Hospital

25 Related party transactions

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

The Ministry of Defence is regarded as a related party and during the year has been reimbursed £15,770 for related costs of staff seconded to Greenwich Hospital.

The Royal Hospital School Enterprises Limited company is a subsidiary of the Hospital - see note 5.

The Royal Navy Royal Marines Charity (RNRMC) is considered a related party due to a member of the Advisory Panel and Board also being a Trustee of the RNRMC. Greenwich Hospital undertakes its charitable activity by issuing, inter alia grants to the RNRMC for further distribution to Naval Charities. During 2009-10 £234k (2008-09 £252k) of grants have been made to RNRMC. No grants were unpaid at year end. All grant decisions were made at arm's length.

The Royal Navy Command Secretary, who chairs the Advisory Panel, is vice chairman of the Advisory Board, and who is part of the reporting line for Greenwich Hospital's Director to the Second Permanent Under Secretary of State for Defence, is married to Greenwich Hospital's Resources Director, whose remuneration in 2009-10 was £73k (2008-09 £70k), and is included in the higher paid employees disclosure in note 8.

26 Financial instruments

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

Greenwich Hospital derives a significant proportion of its income from quoted investments. These are managed on the Hospital's behalf by professional fund managers. An independent Advisory Panel is appointed to formulate Greenwich Hospital's investment policy and to monitor its implementation, with the objective of safeguarding the Hospital's investment assets and of maximising total return from them.

During 2009-10 the Hospital continued to require fund managers to perform against various different benchmarks appropriate to each fund.

Interest Rate Risk

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

Currency Risk

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

Market Price Risk

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

Credit Risk

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

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

Travers Foundation

Statement of Trustee's and Director's responsibilities

The Secretary of State for Defence is the Trustee of Greenwich Hospital and answerable to Parliament for the affairs of Greenwich Hospital. The Trustee is supported in the exercise of his responsibilities by the Parliamentary Under-Secretary of State for Defence and charges the Admiralty Board with the administration of the Hospital which is overseen by the Director of Greenwich Hospital (DGH). The office of DGH is provided for by the Greenwich Hospital Act 1865 (s.20). DGH is appointed by the Trustee on the advice of the Admiralty Board. DGH is responsible by virtue of a Directive from 2ndPUS 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.

Statement on Internal Control

Scope of responsibility

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve the policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Travers Foundation for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

A Risk Register is maintained which identifies the key risks.

The risk and control framework

The Senior Management Team meets monthly to consider the current budgetary position, management planning and associated risks. An independent Advisory Panel is appointed to formulate the Travers Foundation's investment policy and to monitor its implementation, with the objective of safeguarding the Hospital's investment assets and of maximising return.

Review of the effectiveness

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

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

M J Sands
Director of Greenwich Hospital

9 July 2010

Travers Foundation

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Travers Foundation for the year ended 31st March 2010 under the Armed Forces Act 1976. These comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Trustee, Director and Auditor

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

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

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

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

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

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

Basis of audit opinions

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

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

Travers Foundation

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Armed Forces Act 1976 of the state of the Travers Foundation's affairs as at 31st March 2010 and of its incoming resources and application of resources for the year then ended;
- the financial statements have been properly prepared in accordance with the Armed Forces Act 1976 and the accounting policies set out within them; and
- information, which comprises the Review of achievements and performance is consistent with the financial statements.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

13 July 2010

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

Travers Foundation

Statement of Financial Activities for the year ended 31 March 2010

	2009-10 £	2008-09 £
Income from investments		
Property income	33,965	32,609
Investment income	27,867	26,716
Management and administration costs	(17,784)	(15,506)
Audit Fees	(1,500)	-
Net surplus for the year	<u>42,548</u>	<u>43,819</u>
Revaluation of assets		
Property	765,000	(91,175)
Investments	150,521	(168,814)
Net movement in funds	<u>958,069</u>	<u>(216,170)</u>
Balance at 1 April	2,566,082	2,782,252
Total fund balances at 31 March	<u>3,524,151</u>	<u>2,566,082</u>

All activities are classed as continuing.

All recognised gains and losses are shown above.

The notes on pages 34 and 35 form part of these accounts.

Travers Foundation

Balance Sheet as at 31 March 2010

	Notes	2010 £	2009 £
Fixed assets			
Investment property	2	2,740,000	1,975,000
Quoted investments	3	<u>664,154</u>	<u>479,329</u>
		3,404,154	2,454,329
Current assets			
Debtors	4	119,913	105,232
Cash at bank and in hand	5	<u>84</u>	<u>6,521</u>
		119,997	111,753
Current liabilities (amounts falling due within one year)		-	-
Total assets		<u>3,524,151</u>	<u>2,566,082</u>
Funds			
Unrestricted funds		<u>3,524,151</u>	<u>2,566,082</u>

The cash flow statement on page 33 and notes on pages 34 and 35 form part of these accounts.

M J Sands
Director of Greenwich Hospital

9 July 2010

Travers Foundation

Statement Cash Flow Statement for the year ended 31 March 2010

	Note	2009-10 £	2008-09 £
Net cash inflow from operating activities			
Net surplus for the year		42,548	43,819
Increase in debtors		<u>(14,681)</u>	<u>(17,103)</u>
		27,867	26,716
Investing activities			
Payments to acquire investments		(47,165)	(28,233)
Receipts from sale of investments		<u>12,861</u>	<u>225</u>
		(34,304)	(28,008)
Decrease in cash and cash equivalents	5	<u>(6,437)</u>	<u>(1,292)</u>

The notes on pages 34 and 35 form part of these accounts.

Travers Foundation

Notes to the Accounts for the year ended 31 March 2010

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 decision has been taken to implement, over a number of years, the underlying principles of the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005). Full compliance with SORP 2005 is continuing to be phased in so far as the requirements are considered to be appropriate to the circumstances of the Hospital without limiting the information given.

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 2010 has been approved by the Director based upon valuations provided by the appointed Chartered Surveyors for the estates in line with RICS Red Book standards.

e Fixed assets investments

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

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

f Gains and losses

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

g Cash and bank

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

h Payments

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

Travers Foundation

2 Investment property

Investment property comprises freehold land and buildings and is shown at market value as at 31 March 2010, 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.

3 Quoted investments - Available for sale financial assets

	2009-10 £	2008-09 £
Market value at 1 April	479,329	620,135
Additions at cost	47,165	28,233
Value of investments sold	(12,861)	(225)
Unrealised (loss)/profit on revaluation	150,521	(168,814)
Market value at 31 March	<u>664,154</u>	<u>479,329</u>

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

4 Debtors

	2009-10 £	2008-09 £
Amounts falling due within one year		
Due from Greenwich Hospital	99,511	102,207
Rents receivable	16,616	43
Accrued income	2,800	2,982
Prepayments	986	-
	<u>119,913</u>	<u>105,232</u>

5 Cash at bank and in hand

	As at 31 March 2009 £	Cash flow £	As at 31 March 2010 £
Cash at bank and in hand	<u>6,521</u>	<u>(6,437)</u>	<u>84</u>

6 Operating leases as lessor

	2009-10 £	2008-09 £
Operating leases as lessor		
The value of investment assets held for use in operating leases	2,740,000	1,975,000
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	33,965	32,609



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