

Accounts of Greenwich Hospital and the Foundation of Samuel Travers, Esquire, showing the Statement of Financial Activities for the year ended 31 March 2005 and Balance Sheet as at 31 March 2005, together with the Report of the Comptroller and Auditor General thereon (in continuation of House of Commons Paper No. 1106 2000-01).

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

Greenwich Hospital and Travers Foundation Accounts 2004-2005

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Foreword

History and Background of Greenwich Hospital

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

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

Travers Foundation

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

Reade Foundation

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

Reade Accumulation Fund

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

R Adm J Chadwick CB

Director of Greenwich Hospital

13 July 2005

Review of Activities

I am pleased to report that Greenwich Hospital has maintained the broader charitable support that has been provided for the past two years and that these Accounts have been produced for the second year within 4 months of the financial year end.

The Statement of Financial Activities for the year shows a net deficit of income over expenditure of £1,536,000 (2004 – £1,703,000), including a charge of £553,000 (£516,000) for the current service cost of the pension scheme. The cost of the Hospital's charitable expenditure and administrative overheads during the year exceeded the income received from its properties and investments by £983,000. In order to fund the total deficit, the Hospital drew on cash held on deposit from uninvested capital receipts. The net movement in funds was an increase in the net assets of £31,101,000 as a result of a combination of the independent valuation of the investment property and a further rise in the Stock Markets.

Throughout the year, the Hospital continued to pay charitable pensions, mainly through its longstanding co-operation with the Royal Naval Benevolent Trust, to some 1,100 needy former seafarers or their widows. The value of these pensions has been maintained at £10 a week.

Building on the close working relations that the Hospital has enjoyed over many years with the Royal Naval Benevolent Trust and the Royal Navy and Royal Marines Children's Fund, the Hospital has continued to pay donations in support of their work on behalf of former and serving sailors and their families. These donations amounted to respectively £451,000 and £420,000 in 2004-2005. Additionally donations were made to the Women's Royal Naval Benevolent Trust, £15,000, and the Royal Sailors' Rests, £20,000.

Through these pensions and donations the Hospital paid some £1,516,000 to its Royal Naval beneficiaries in 2004-2005, an increase of £61,000 to the total in the previous year.

The Royal Hospital School, where some 680 boys and girls attended as boarding pupils during the year, has continued to flourish. In 2004-2005 the Hospital provided £5,842,000 towards meeting the capital and running costs of the School, mainly through subsidies and bursaries for the children and grandchildren of seafarers who would not otherwise be able to afford the fees.

Following a strategic review of the Hospital, the Admiralty Board, on behalf of the sole Trustee, have directed that there should be a progressive re-balancing of the Hospital's charitable output. This change is from the position in 2003 of over 80% of net disposable income to the School, to 40% to the School and 60% to Royal Navy charities by March 2012. This is a challenging target and in order to achieve it subordinate strategies are being developed and implemented for the School and also for the Hospital's investment portfolio.

R Adm J Chadwick CB
Director of Greenwich Hospital

13 July 2005

Statement of Trustee's and Director's responsibilities

The Secretary of State for Defence is the Trustee of Greenwich Hospital and answerable to Parliament for the affairs of Greenwich Hospital.

The Trustee is supported in the exercise of his responsibilities by the Parliamentary Under-Secretary of State for Defence and charges the Admiralty Board with the administration of the Hospital which is overseen by the Director. The latter is appointed by the Trustee on the advice of the Admiralty Board.

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

The Annual Accounts of the Travers Foundation are to be kept separate from those of Greenwich Hospital in accordance with Section 21 (3) of the Armed Forces Act 1976.

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

Statement on Internal Control

1. Scope of responsibility

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

2. The purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the aims and objectives of Greenwich Hospital and the Travers Foundation; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on a continuing process that is designed to identify the principal risks to the achievement of the aims and objectives of Greenwich Hospital and the Travers Foundation, to evaluate the nature and extent of those risks, the likelihood of those risks being realized and the impact should they be realized, and to manage them efficiently, effectively and economically. Greenwich Hospital and the Travers Foundation have continued to develop their internal control system during the year and this process will continue in 2005-2006.

3. The risk and control framework

Greenwich Hospital has completed improving its accounting procedures with a new accounting system and reporting routine. An independent Advisory Panel is appointed to formulate Greenwich Hospital's investment policy and to monitor its implementation, with the objective of safeguarding the Hospital's investment assets and of maximising total return from them. A new asset allocation has been adopted to generate a more reliable income at lower risk. A Risk Register is maintained which identifies the key risks and this will be revised alongside implementation of the new accounting and reporting systems. The options for introducing an internal audit function will be assessed when the new procedures are in place.

4. Effectiveness of the system of internal control

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

R Adm J Chadwick CB
Director of Greenwich Hospital

13 July 2005

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

I certify that I have audited the financial statements on pages 5 to 22 under the Greenwich Hospital Act 1865. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 and 10.

Respective Responsibilities of the Trustee, the Director and the Auditors

As described on page 3 the Trustee and the Director of Greenwich Hospital are responsible for the preparation of the financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you. My responsibilities, as independent auditor, are guided by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Greenwich Hospital Act 1865. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Hospital has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on Internal Control on page 3 reflects the Hospital's compliance with Treasury's guidance on the Statement on Internal Control. I report if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am not required to form an opinion on the effectiveness of the Hospital's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustee and the Director in the preparation of the financial statements, and of whether the accounting policies are 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 error, or by fraud or other irregularity. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of Greenwich Hospital as at 31 March 2005 and of the incoming resources, application of resources and cash flows for the year then ended and have been properly prepared in accordance with the Greenwich Hospital Act 1865.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

15 July 2005

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

Greenwich Hospital Statement of Financial Activities for the year ended 31 March 2005

	Notes	2004-05 £000	2004-05 £000	As restated	
				2003-04 £000	2003-04 £000
Income from investments					
Gross income from property	2	5,520		5,572	
External property management expenses		(1,259)		(1,506)	
Net income from property			4,261		4,066
Gross income from investments	3	2,776		2,665	
External investment management expenses		(344)		(317)	
Net income from investments			2,432		2,348
Bank interest receivable			82		83
Other income			1		119
Total net income			6,776		6,616
Charitable activities					
Royal Hospital School expenses	4	10,505		9,936	
Royal Hospital School income		(5,497)		(5,005)	
Net Royal Hospital School expenses			5,008		4,931
Sheltered housing expenses		456		528	
Sheltered housing income		(279)		(280)	
Net sheltered housing expenses/(income)			177		248
Pensions and educational grants	5		591		598
Donations to naval charities			906		840
Other charitable donations			19		17
Net cost of charitable activities			6,701		6,634
Headquarters administration	6		1,058		1,169
Current service cost of pension scheme	14		553		516
Net deficit for the year			(1,536)		(1,703)

Greenwich Hospital Statement of Financial Activities for the year ended 31 March 2005 (continued)

	Notes	2004-05 £000	2004-05 £000	2004-05 £000	2003-04 £000	As restated 2003-04 £000	2003-04 £000
Net deficit for the year				(1,536)			(1,703)
Other financial costs							
Interest on pension liabilities	14		(696)			(577)	
Net surplus/(deficit) on realisation of assets							
Investment properties		240			42		
Quoted investments		(285)			2,697		
			(45)			2,739	
Actuarial loss on pension scheme	14		(94)			(829)	
Revaluation of assets							
Investment properties	7	25,336			11,446		
Quoted investments	10	8,113			10,716		
Other reserves		23			–		
			33,472			22,162	
Total capital profit for the year			32,637			23,495	
Net movement in funds				31,101			21,792
Movement in funds							
Balance at 1 April				182,489			160,697
Net movement in funds				31,101			21,792
Balance at 31 March				213,590			182,489

All activities are classed as continuing.

All recognised gains and losses are shown above.

The notes on pages 9 to 22 form part of these accounts.

Greenwich Hospital

Balance Sheet as at 31 March 2005

	Notes	2005 £000	2004 £000 restated
Fixed assets			
Tangible assets			
Investment property (estimated market value)	7	117,846	92,397
Royal Hospital School, Holbrook	8	14,777	14,651
Sheltered housing	8	6,099	6,190
Other tangible assets	9	748	594
		139,470	113,832
Quoted investments at market value	10	81,592	75,495
Total fixed assets		221,062	189,327
Current assets			
Debtors, rents receivable and prepayments	11	1,491	1,258
Current asset investments	12	4,574	2,948
Cash at bank and in hand		1,693	2,652
		7,758	6,858
Current liabilities (amounts falling due within one year)			
Creditors	13	(1,787)	(1,596)
Net current assets		5,971	5,262
Total assets less current liabilities		227,033	194,589
Pension provision	14	(13,443)	(12,100)
Net assets		213,590	182,489
Funds			
Unrestricted funds	20	213,590	182,489
		213,590	182,489

The cash flow statement on page 8 and notes on pages 9 to 22 form part of these accounts.

R Adm J Chadwick CB
Director of Greenwich Hospital

13 July 2005

Greenwich Hospital Cash Flow Statement for the year ended 31 March 2005

	Notes	2004-05 £000	2003-04 £000
Net cash outflow from operating activities	18	(6,816)	(6,773)
Returns on investments			
Investment interest received		671	544
Dividends received		2,186	2,185
Fund management fees		(455)	(205)
Rent received from investment property		5,365	5,290
Expenses paid on investment property		(1,304)	(1,467)
		6,463	6,347
Non charitable capital and financial investment expenditure			
Payments to acquire investments		(15,829)	(21,026)
Receipts from sale of investments		17,560	21,167
Payments to acquire or improve property	7	(219)	(249)
Receipts from sale of property and other capital receipts		347	44
		1,859	(64)
Charitable capital expenditure			
Payments to acquire or improve property	8	(475)	(634)
Payments to acquire other tangible fixed assets	9	(431)	(243)
Receipts from sale of other tangible fixed assets		67	18
		(839)	(859)
Management of liquid resources		(1,626)	300
Decrease in cash	19	(959)	(1,049)

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.

The notes on pages 9 to 22 form part of these accounts.

Greenwich Hospital Notes to the Accounts

1 Accounting Policies

The Accounts of both Greenwich Hospital and the Travers Foundation are prepared under the historical cost convention as modified below. Due to the charitable nature of the majority of the Hospital's and Foundation'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 2000). Full compliance with the SORP 2000 requirements are continuing to be phased in so far as they are considered to be appropriate to the circumstances of the Hospital and the Foundation, 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.

Income

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.

Expenditure

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

Tangible Fixed Assets and Investments

Freehold land and buildings held for investment purposes are shown at market value. The market value as at 31 March 2005 has been determined by independent firms of valuers. In years when a full independent valuation is not made the market value is based upon informal valuations provided by Chartered Surveyors and approved by the Director.

Quoted investments are shown at market value.

Other fixed assets, with the exception of works of art and artefacts, are shown at original cost (estimated where necessary).

Gains and Losses

In compliance with the Charities SORP 2000, 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.

Depreciation

Depreciation is provided on all charitable tangible fixed assets used to further the Hospital's charitable objectives, other than freehold land. Depreciation is calculated on the straight line basis at the following rates:

Motor Vehicles	–	20% per annum
Plant and Machinery	–	10% per annum
Office Equipment	–	20% per annum
Educational Equipment: ICT	–	25% per annum
Other	–	20% per annum
Furniture	–	10% per annum
Buildings	–	between 2-20% per annum according to the expected useful life of each building.

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.

1 Accounting Policies (continued)

Pension Schemes

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

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

Following the implementation of the disclosure requirements of FRS 17, certain reclassifications have been made on the face of the Statement of Financial Activities.

Cash and Bank

The Hospital maintains a bank account with the Paymaster General in accordance with the provisions of the Greenwich Hospital Act 1865.

Liquid Resources

Current Asset Investments comprise cash deposits held by investment managers.

Payments

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

2 Net rental income

	Income £000	Expenditure £000	Surplus 2004-05 £000	Surplus 2003-04 £000 As restated
Northern Estates	628	(379)	249	194
Greenwich Estate				
Residential properties	1,013	(310)	703	473
Commercial properties	2,773	(495)	2,278	2,369
	3,786	(805)	2,981	2,842
Other Property				
Holbrook Estate	104	(64)	40	31
London Properties	173	–	173	173
Pollen Estate	715	–	715	716
Property Unit Trust	114	(11)	103	110
	1,106	(75)	1,031	1,030
Total	5,520	(1,259)	4,261	4,066

Expenditure of £1,259,000 includes £428,000 of professional fees, mainly property agents. The remaining costs comprise mainly repairs and maintenance and other property costs.

3 Income from investments

	2004-05 £000	2003-04 £000 As restated
General investments		
British Government Securities	423	429
Ordinary UK Shares	1,602	1,599
Loans & Deposit Interest	57	57
Other Equities & Securities	380	165
	2,462	2,250
Reade Foundation:		
Ordinary Shares	125	122
Accumulation Fund	189	293
	314	415
Total income from investments	2,776	2,665
Less investment managers' fees	(344)	(317)
Net income from investments	2,432	2,348

4 Royal Hospital School

	2004-05	2003-04
	£000	£000
Income		
School fees	4,829	4,401
Department for Education and Employment Grant	–	20
Rents from school residences	126	37
Supplementary income	405	513
Miscellaneous	137	34
	5,497	5,005
Expenditure		
Teachers' salaries	3,356	3,200
Administration salaries and wages	1,495	1,469
Works Department:		
Salaries and wages	716	656
Contracts	321	238
Stores	191	189
Superannuation and pensions	695	749
Fuel and abstraction charges	404	297
Rates and council tax	97	95
Insurance	157	110
Provisions and catering	1,075	993
Clothing, bedding, general stores	226	249
Books and educational equipment	374	367
Marketing and publicity	104	39
Depreciation	536	503
(Profit)/loss on disposal of fixed assets	(31)	(7)
Office services	313	318
Pupils' welfare	26	28
Supplementary expenses	332	426
Other HQ expenditure	118	17
	10,505	9,936
Excess of expenditure over income	5,008	4,931

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

5 Pensions and educational grants

	2004-05	2003-04
	£000	£000
Pensions to widows	11	17
Educational grants	8	9
Charitable pensions (Jellicoe annuities)	572	572
	591	598

6 HQ administration

	2004-05	2003-04
	£000	£000
Salaries and wages	476	430
Superannuation and pensions	55	21
Pensions administration	24	9
Audit fee	34	32
Professional, legal and consultancy fees	147	7
Depreciation	15	11
Office expenses	225	250
Restructuring	82	409
	1,058	1,169

Normal Headquarters administration costs were £976,000 (2003-04 £760,000) but exceptional expenditure of £82,000 (2003-04 £409,000) was incurred in restructuring, including legal costs, redundancy and employment of interim staff.

7 Investment property

	Holbrook Estate £000	Pollen Estate £000	London Properties £000	Greenwich Estate £000	Northern Estates £000	Property Unit Trust £000	Total £000
Valuation at 1 April 2004 as restated	2,887	12,908	2,000	58,647	13,400	2,556	92,398
Additions	17	–	–	202	–	–	219
Disposals	(2)	–	–	–	(105)	–	(107)
Revaluation	989	2,680	–	11,288	10,031	348	25,336
Valuation at 31 March 2005	3,891	15,588	2,000	70,137	23,326	2,904	117,846

At 31 March 2005, the Hospital held a 10.214% beneficial interest in the Pollen Estate, which is an independent trust investing in property.

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 as was done in the Accounts of previous years. The prior year figures have been restated to reflect the change of classification, both in income and on the balance sheet. The cost of the holding is £2,375,000.

Other investment property comprises freehold land and buildings and is shown at market value as at 31 March 2005, which has been determined by independent firms of valuers.

8 Charitable property

	Royal Hospital School				
	Buildings under construction £000	Buildings in use £000	Total £000	Sheltered Housing £000	Total £000
Cost at 1 April 2004	–	16,364	16,364	6,705	23,069
Additions	32	420	452	23	475
Cost at 31 March 2005	32	16,784	16,816	6,728	23,544
Depreciation at 1 April 2004			1,713	515	2,228
Charge for the year			326	114	440
Depreciation at 31 March 2005			2,039	629	2,668
Net book value at 31 March 2005			14,777	6,099	20,876
Net book value at 31 March 2004			14,651	6,190	20,841

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

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

9 Other tangible assets

	Motor Vehicles £000	Plant and Machinery £000	Office Equipment £000	Educational Equipment £000	Furniture £000	Total £000
Royal Hospital School						
Cost at 1 April 2004	265	477	74	700	59	1,575
Additions	142	64	–	175	–	381
Disposals	(110)	–	(19)	(183)	–	(312)
Cost at 31 March 2005	297	541	55	692	59	1,644
Depreciation at 1 April 2004	211	230	72	526	45	1,084
Charge for the year	47	49	–	111	3	210
Released on disposal	(95)	–	(18)	(163)	–	(276)
Depreciation at 31 March 2005	163	279	54	474	48	1,018
Net book value at 31 March 2005	134	262	1	218	11	626
Net book value at 31 March 2004	54	247	2	174	14	491

9 Other tangible assets (continued)

Other locations	Motor Vehicles £000	Plant and Machinery £000	Office Equipment £000	Educational Equipment £000	Furniture £000	Total £000
Cost at 1 April 2004	114	12	109	–	76	311
Additions	20	–	10	–	20	50
Disposals	(17)	–	(2)	–	–	(19)
Cost at 31 March 2005	117	12	117	–	96	342
Depreciation at 1 April 2004	106	11	54	–	37	208
Charge for the year	7	–	15	–	9	31
Released on disposal	(18)	–	(1)	–	–	(19)
Depreciation at 31 March 2005	95	11	68	–	46	220
Net book value at 31 March 2005	22	1	49	–	50	122
Net book value at 31 March 2004	8	1	55	–	39	103
Total						
Cost at 1 April 2004	379	489	183	700	135	1,886
Additions	162	64	10	175	20	431
Disposals	(127)	–	(21)	(183)	–	(331)
Cost at 31 March 2005	414	553	172	692	155	1,986
Depreciation at 1 April 2004	317	241	126	526	82	1,292
Charge for the year	54	49	15	111	12	241
Released on disposal	(113)	–	(19)	(163)	–	(295)
Depreciation at 31 March 2005	258	290	122	474	94	1,238
Net book value at 31 March 2005	156	263	50	218	61	748
Net book value at 31 March 2004	62	248	57	174	53	594

In addition to the tangible fixed assets included in the balance sheet, Greenwich Hospital owns over 600 works of art and artefacts. In accordance with the provisions of the National Maritime Museum Act 1934, the majority of the collection is on permanent loan to the National Maritime Museum in Greenwich. In accordance with the provisions of the Charities SORP 2000 (Paragraph 214(a)), these assets are not capitalised.

10 Quoted investments

	2004-05 £000	2003-04 £000 As restated
Market value at 1 April	75,495	62,223
Additions at cost	15,829	21,026
Value of investments sold	(17,845)	(18,470)
Unrealised profit/(loss) on revaluation	8,113	10,716
Market value at 31 March	81,592	75,495

Investments are made up as follows:

	Market Value 2004-05 £000	Market Value 2003-04 £000 As restated
UK fixed interest	8,877	7,996
UK equities	51,557	47,235
Overseas investments	21,158	20,264
Cash instruments	-	-
	81,592	75,495

	Cost Price £000	Market Value 2004-05 £000	Market Value 2003-04 £000 As restated
General Fund	65,744	76,884	66,262
Reade Accumulation Fund	1,699	1,881	6,648
Reade Foundation	1,367	2,740	2,510
Willoughby Trust Fund	19	78	66
Rotely Bequest	8	9	9
	68,837	81,592	75,495

When the Reade Accumulation Fund reached maturity in 2002 it was decided to apply about 80% of the fund to capital expenditure at the Royal Hospital School over a number of years and to use the remaining £1.5 million to start a new Reade Accumulation Fund. During the year to 31 March 2005 the balance of the old fund was transferred to the General Fund.

The Hospital's holding in Schroders Exempt Property Unit Trust has been included in Investments in the Accounts of previous years and is now included in Investment Property. The prior year figures have been restated to reflect the change of classification, both in income and on the balance sheet.

11 Debtors

Amounts falling due within one year	2004-05 £000	2003-04 £000
School fees receivable	179	51
Rents receivable	1,054	1,059
Other debtors	46	86
Tax reclaimable	-	1
Prepayments	212	61
	1,491	1,258

12 Current asset investments

	2004-05 £000	2003-04 £000
General Fund	4,539	1,841
Reade Fund	35	1,107
	4,574	2,948

13 Creditors

Amounts falling due within one year	2004-05 £000	2003-04 £000
Creditors and accrued charges comprise:		
Trade creditors	673	159
Rents received in advance	606	862
Taxes payable	103	2
Other creditors	164	251
Accrued charges	241	322
	1,787	1,596

14 Pension provision

	2004-05 £000	2003-04 £000
Balance at 1 April	12,100	10,178
Employee transfer of benefit	-	-
Increase in provision	1,343	1,922
Balance at 31 March	13,443	12,100

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 2005 by an independent qualified actuary.

The major assumptions made by the actuary are as follows and have regard to the yields available on corporate bonds for assessing the potential investment return and the relative yields on fixed and inflation linked bonds for assessing inflation.

	2004-05	2003-04
Rate of increase in inflation (RPI)	3.00%	3.00%
Rate of increase in pension	3.00%	3.00%
Rate of increase in deferred pensions	2.60%	2.60%
Rate of increase of pensionable salaries including merit increases	5.00%	5.00%
Discount rate	5.40%	5.50%

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

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

	2004-05 £000	2003-04 £000
Current service cost	(553)	(516)
Past service cost	-	-
Settlement loss	-	-
Total operating charge	(553)	(516)

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

	2004-05 £000	2003-04 £000
Expected return on assets	-	-
Interest on liabilities	(696)	(577)
Net return	(696)	(577)

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

	2004-05	2003-04
	£000	£000
Actual less the expected return on assets	-	-
(Losses)/gains on liabilities	551	(173)
Changes in assumptions	(645)	(656)
Actuarial (loss)/gain recognised in SOFA	(94)	(829)

Movement of liability during the year

	2004-05	2003-04
	£000	£000
Liability at beginning of the year	12,100	10,178
Plus movement during year:		
Current service cost	553	516
Employer contributions	-	-
Past service cost	-	-
Curtailment gain	-	-
Other finance income	696	577
Actuarial loss/(gain)	94	829
Liability at end of the year	13,443	12,100

History of experience gains and losses

	2004-05	2003-04
	£000	£000
Difference between the expected and actual return on Amount (£)	n/a	n/a
Percentage of assets	n/a	n/a
Experience gains and losses on liabilities:		
Amount (£)	551	(173)
Percentage of liabilities	4.1%	(1.4%)
Total amount recognised in SOFA:		
Amount (£)	(94)	(829)
Percentage of liabilities	0.7%	(6.8%)

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 Greenwich Hospital for the period of these Accounts. For 2004-05 the rate was 13.5%.

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 as at 31 March 2001.

For 2004-05, employer's contributions of £407,000 were payable to the Scheme (£385,000 for 2003-04).

15 Lease commitments

	2004-05 £000	2003-04 £000
Amounts falling due in the next 12 months:		
Lease for office premises expiring within 1 year	44	115
	<hr/>	<hr/>
Other operating leases	50	50
	<hr/>	<hr/>

16 Staff costs

	2004-05 £000	2003-04 £000
Total staff costs were as follows:		
Salaries and wages	5,717	5,467
Social Security costs	435	382
Pension costs	778	801
	<hr/>	<hr/>
	6,930	6,650
	<hr/>	<hr/>
Composed of:		
Royal Hospital School	6,262	6,074
HQ administration	531	451
Sheltered housing	40	44
Northern Estates	97	81
	<hr/>	<hr/>
	6,930	6,650
	<hr/>	<hr/>

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

	£	£
Salary	62,667	61,328
Notional employer's pension cost	9,302	11,039
	<hr/>	<hr/>
	71,969	72,367
	<hr/>	<hr/>

The Director is entitled to pension benefits under the Hospital's contracted out non-contributory defined benefit scheme (see Note 1). The cost to the Hospital of the Director's pension benefit accrued during the year was £13,661. In previous years a notional value of the cost to the Hospital of his pension benefit accrued during the year was calculated at 18% of gross pay. The Director's Cash Equivalent Transfer Value (CETV) as at 31 March 2005 was £26,090 (2004 £13,661).

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

17 Staff numbers

Excluding the Director, the number of staff whose remuneration including benefits but excluding pension contributions exceeded £50,000 p.a. was as follows:

	2004-05	2003-04
£50,000 to £59,999	4	–
£60,000 to £69,999	1	1
£70,000 to £79,999	1	–
£90,000 to £99,999	–	1

The average monthly number of staff (headcount only) were as follows:

Royal Hospital School	276	271
Sheltered housing	7	7
HQ administration	12	13
Northern Estates	5	7
	300	298

18 Reconciliation of operating deficit to cash flow

	2004-05	2003-04
	£000	£000
Net deficit	(1,536)	(1,703)
Current service cost of pension scheme	553	516
Depreciation	681	747
Profit on sale of tangible fixed assets	(31)	(7)
Increase in debtors	(223)	(54)
Increase in creditors	433	142
Net investment income	(2,432)	(2,458)
Net rental income	(4,261)	(3,956)
	(6,816)	(6,773)

19 Analysis of changes in cash balances

	As at 31 March 2004 £000	Cash flow £000	As at 31 March 2005 £000
Current asset investments	2,948	1,626	4,574
Cash at bank & in hand	2,652	(959)	1,693
	5,600	667	6,267

20 Movement in funds

	Accumulated Fund	Property Revaluation	Investments Revaluation	Other Reserves	Total Funds
Balance at 1 April 2004	94,200	82,555	5,687	47	182,489
Net deficit for the year	(1,536)	-	-	-	(1,536)
Deficit on sale of investments	(285)	-	-	-	(285)
Surplus on sale of investment properties	240	-	-	-	240
Revaluations	-	24,988	8,461	-	33,449
Revaluation reserves realised on sales	971	(107)	(864)	-	-
Movement in pension provision	(790)	-	-	-	(790)
Movement in other reserves	-	-	-	23	23
Accumulated fund as at 31 March 2005	92,800	107,436	13,284	70	213,590

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

21 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 for related costs of staff seconded to Greenwich Hospital.

22 Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Greenwich Hospital derives a significant proportion of its income from quoted investments. These are managed on the Hospital's behalf by professional fund managers. An independent Advisory Panel is appointed to formulate Greenwich Hospital's investment policy and to monitor its implementation, with the objective of safeguarding the Hospital's investment assets and of maximising total return from them. During the year a review of the Hospital's asset allocation was undertaken resulting in the adoption of a revised strategy to generate a more reliable income at lower risk.

During 2004-05 the fund managers were required to perform against the Wood MacKenzie Unconstrained Charities Benchmark. Under the new strategy different benchmarks are used for different funds.

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.

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

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

I certify that I have audited the financial statements on pages 24 to 28 under the Armed Forces Act 1976. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 27.

Respective Responsibilities of the Trustee, the Director and the Auditors

As described on page 27 the Trustee and the Director of Greenwich Hospital are responsible for the preparation of the financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you. My responsibilities, as independent auditor, are guided by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Armed Forces Act 1976. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Foundation has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on Internal Control on page 3 reflects the Foundation's compliance with Treasury's guidance on the Statement on Internal Control. I report if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am not required to form an opinion on the effectiveness of the Foundation's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustee and the Director in the preparation of the financial statements, and of whether the accounting policies are 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 error, or by fraud or other irregularity. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of the Travers Foundation as at 31 March 2005 and of the incoming resources, application of resources and cash flows for the year then ended and have been properly prepared in accordance with the Armed Forces Act 1976.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

15 July 2005

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

Travers Foundation Statement of Financial Activities for the year ended 31 March 2005

	2004-05 £	2003-04 £
Income from investments		
Gross property income	22,100	22,100
Gross investment income	28,590	28,628
Management and administration costs	(13,673)	(4,174)
Net income from investments	<u>37,017</u>	<u>46,554</u>
Charitable activities		
Grants to Greenwich Hospital	–	(103,990)
Net (deficit)/surplus of income over expenditure for the year	<u>37,017</u>	<u>(57,436)</u>
Net increase/(decrease) on revaluation of assets		
Property	1,356,335	184,165
Investments	(2,254)	(13,520)
	<u>1,354,081</u>	<u>170,645</u>
Net movement in funds	<u>1,391,098</u>	<u>113,209</u>
Movement in funds		
Balance at 1 April	1,206,817	1,093,608
Net movement in funds	1,391,098	113,209
Balance at 31 March	<u>2,597,915</u>	<u>1,206,817</u>

All activities are classed as continuing.

All recognised gains and losses are shown above.

The notes on pages 27 to 28 form part of these accounts.

Travers Foundation

Balance Sheet as at 31 March 2005

	Notes	2005 £	2004 £
Fixed assets			
Investment property at estimated market value	6	2,093,000	736,665
Stocks and shares at market value	9	471,325	473,579
		<u>2,564,325</u>	<u>1,210,244</u>
Current assets			
Debtors	7	16,541	–
Cash at bank	5	22,091	22,689
Current liabilities (amounts falling due within one year)			
Creditors	8	(5,042)	(26,116)
		<u>33,590</u>	<u>(3,427)</u>
Net current (liabilities)/assets			
		<u>2,597,915</u>	<u>1,206,817</u>
Funds			
Unrestricted funds		<u>2,597,915</u>	<u>1,206,817</u>

The cash flow statement on page 26 and notes on pages 27 to 28 form part of these accounts.

R Adm J Chadwick CB
Director of Greenwich Hospital

13 July 2005

Travers Foundation Cash Flow Statement for the year ended 31 March 2005

	Notes	2004-05 £	2003-04 £
Net cash outflow from operating activities	3	<u>(598)</u>	<u>(600)</u>
Decrease in cash and cash equivalents	4/5	<u>(598)</u>	<u>(600)</u>

The notes on pages 27 to 28 form part of these accounts.

Travers Foundation Notes to the Accounts

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

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

3 Reconciliation of operating surplus to net cash outflow from operating activities

	2004-05 £	2003-04 £
Operating surplus	37,017	46,554
Transfer to Greenwich Hospital Account	–	(103,989)
(Increase)/decrease in debtors	(16,541)	53,262
Increase/(decrease) in creditors	(21,074)	3,573
	<u>(598)</u>	<u>(600)</u>

4 Analysis of changes in cash and cash equivalents during the year

	2004-05 £	2003-04 £
Balance at beginning of year	22,689	23,289
Net cash inflow/(outflow)	(598)	(600)
Balance at end of year	<u>22,091</u>	<u>22,689</u>

5 Analysis of the balances of cash and cash equivalents as shown in the Balance Sheet

	2004-05 £	2003-04 £	Change in Year £
Cash at bank and in hand	22,091	22,689	(598)
	<u>22,091</u>	<u>22,689</u>	<u>(598)</u>

6 Property valuation

The property in Essex is shown at market value on 31 March 2005, which has been determined by an independent firm of valuers.

7 Debtors

	2004-05 £	2003-04 £
Due from Greenwich Hospital	5,491	–
Rents receivable	11,050	–
	<u>16,541</u>	<u>–</u>

8 Creditors

	2004-05	2003-04
	£	£
Trade creditors	5,042	–
Due to Greenwich Hospital	–	26,116
	5,042	26,116

9 Stocks and shares

	2004-05	2003-04
	£	£
Market value at 1 April	473,579	487,099
Unrealised loss on revaluation	(2,254)	(13,520)
Market value at 31 March	471,325	473,579

The original cost of these investments was £435,194.

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