

SCOTTISH HOSPITAL TRUST

(A Body Corporate having Charitable Status in Scotland)

Constituted under the Hospital Endowments (Scotland) Act 1971
(now repealed and re-enacted by the National Health Service
(Scotland) Act 1978)

Annual Report

Covering the period 1st April 1992 to 31st March 1993

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SCOTTISH HOSPITAL TRUST

(A Body Corporate having Charitable Status in Scotland)

Constituted under the Hospital Endowments (Scotland) Act 1971
(now repealed and re-enacted by section 11 of the National Health
Service (Scotland) Act 1978)

Scottish Charity No. SCO 13858

Members

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Secretaries W. & J. Burness, w.s.
16 Hope Street, Edinburgh

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Saltire Court, 20 Castle Terrace, Edinburgh

Auditor C. G. A. Fletcher, C.A.,
KPMG Peat Marwick
Saltire Court, 20 Castle Terrace, Edinburgh

Annual Report and Accounts

Year to 31st March 1993

The historical background

1. In November 1966 a Working Party was set up by the Secretary of State for Scotland to review the allocation of endowments transferred to Boards of Management at the appointed day under section 7(2) of the National Health Service (Scotland) Act 1947 on the basis of the principles laid down in the Report of the Hospital Endowments Commission, having regard *inter alia* to investment opportunities and changes in the value of money and to make recommendations to the Secretary of State as to whether amended schemes should be framed under section 8 of the said Act, and if so in what terms.
2. The Report of the Working Party was published by Her Majesty's Stationery Office in 1969. The Report *inter alia* recommended that a central investment fund be set up to hold and manage section 7(2) investments and to distribute the income to Boards of Management and Regional Hospital Boards in accordance with schemes made by the Secretary of State.
3. The Working Party's recommendation that a central investment fund be set up was accepted and implemented by the Hospital Endowments (Scotland) Act 1971. The Scottish Hospital Trust (hereinafter referred to as "the Trust") was constituted under section 1 of that Act. The Act of 1971 has since been repealed. It is re-enacted in section 11 of and Schedule 6 to the National Health Service (Scotland) Act 1978, which has itself been subject to minor subsequent statutory modification.

Constitution of the Trust

4. The Trust is now constituted under the National Health Service (Scotland) Act 1978 as modified. The Members of the Trust are appointed under that Act by the Secretary of State. The names and designations of the Members of the Trust (who all held office throughout the year) are shown opposite. The principal address of the Trust is 16 Hope Street, Edinburgh EH2 4DD. The professional advisers to the Trust are shown opposite.

Duties and Powers of the Trust

5. The Act of 1978 (paragraph 7 of Schedule 6) requires the Trust at such dates in each year as the Secretary of State may determine to distribute the income from endowments transferred to it and from property accepted by it (after the deduction of expenses) among Health Boards, NHS Trusts and the State Hospital in accordance with schemes made from time to time by the Secretary of State.
6. Following on the introduction of NHS Trusts, and a period of consultation, the basis of distribution of income previously determined by the Secretary of State has been altered by the Scottish Hospital Trust Scheme 1993 (Statutory Instrument 1993 No. 372 (S.40)) which provides the following basis for the distribution of income by the Trust:—
 - (a) the Trust shall calculate the sum attributable to each Health Board area based on that Health Board's percentage share and thereafter—

- (i) in a Health Board area where there is no NHS Trust or NHS Trusts in existence, pay that sum to the Health Board, or
 - (ii) in a Health Board area where there is one or more NHS Trusts in existence, divide that sum between the Health Board and the NHS Trust or among the Health Board and NHS Trusts as the case may be;
- (b) where sub-paragraph (a)(ii) above applies the division shall be as such as is agreed between the Health Board and the NHS Trust or NHS Trusts on the basis of the percentage of capital funds held by the Trust as between the hospitals, establishments or facilities pertaining to the NHS Trust or NHS Trusts and the hospitals, establishments or facilities which are under the administration of the Health Board.

The "percentage share" of a Health Board is the percentage of the total relevant endowments and added property held by the Trust in respect of that Health Board.

7. Paragraph 3 of the 1993 Scheme mentioned above requires the income received under the Scheme by a Health Board to be used for the purposes specified in Paragraph 7(3)(a) of Schedule 6 to the 1978 Act, which are relating to services provided under the 1978 Act in or in relation to hospitals; or to research into matters relating to the causation, prevention, diagnosis or treatment of illness; or for purposes intended to preserve the memory of any person or class of persons.

Under that paragraph, income received by an NHS Trust shall be used for Trust purposes.

Health Boards and NHS Trusts are required, in applying income as above, to have regard to the terms and conditions attaching to endowments transferred to the Trust under the 1971 Act.

8. In terms of paragraph 4 of Schedule 6 to the Act of 1978 the Trust has the like powers in relation to its funds as trustees have in relation to their trust estate under section 4(1) of the Trusts (Scotland) Act 1921, and power to purchase and lease land and invest in any security in which trustees are authorised to invest by virtue of the Trust (Scotland) Act 1921, and it may retain any investment which it may from time to time receive, make a narrower range investment without first obtaining advice as required by section 6 of the Trustee Investment Act 1961, and invest in the units of a unit trust scheme or in participation certificates or in any form of participation under any trust or scheme having the effect of enabling persons to participate in the profits and income arising from the acquisition, holding, management or disposal of securities or of land.

The Trust's power to invest in wider range investments is confirmed by Section 54 of the Law Reform (Miscellaneous Provisions) (Scotland) Act 1985 which declares, for the avoidance of doubt, that the Trust has the power to invest in any security in which trustees are authorised to invest under or in pursuance of the Trustee Investment Act 1961. The Trust is required to obtain appropriate investment advice before doing so.

Investments

- Heritable properties** 9. The Members intend to continue the policy of disposing of tenanted tenement flats as they fall vacant. None has become vacant this year.
- Feu duties** No feu duties were redeemed during the year.
- Other investments** At 31st March 1993 the number of investment holdings was 84 and the Trust's portfolio was distributed as follows:

	1993	1992
Fixed interest	15.70%	16.20%
Equities	82.60%	79.10%
Short term deposits	1.70%	4.70%

In the first half of the year to 31st March 1993, UK share prices performed badly. The economy remained in deep recession, and, constrained in its interest rate policy by membership of the ERM, the Government could do little to stimulate activity. However, the departure of Sterling from the ERM in September 1992 was a significant turning point. It allowed the authorities the flexibility to cut interest rates, and from that point on share prices rose strongly in anticipation of an eventual recovery.

It was a rewarding year for overseas markets, where exposure for the Trust is obtained through investment trusts and unit trusts. Good performance was gained from the USA, with the stockmarket and also the US Dollar strengthening, to the advantage of the Sterling investor, which also increased returns from the Dollar based Far Eastern markets. Continental European and Japan were disappointing in local currency terms, the economies in these two regions slowing down sharply during the year. Again, however, currency movements were beneficial, particularly that of the Yen, and towards the end of the year the Japanese market was recovering strongly following action by the Government and the Bank of Japan to inject funds into the economy.

The UK stockmarket should continue to be supported by increasing signs of recovery with traditional leading indicators such as car sales and housing reservations showing a significant improvement over 1992. Increased consumer spending, financed by relatively high levels of personal savings and the low cost of borrowing should enable profits to advance, justifying current business optimism. Nonetheless, a good deal of this recovery is already discounted in the market and therefore this year's advance is likely to be more modest than last, particularly in the light of the funding requirements by both the Government and companies.

As the fruits of recovery further appear, we should see a greater resumption of dividend growth and the Managers will seek to continue to bias the portfolio towards companies which exhibit these characteristics. Earnings, however, are likely to outstrip dividends in the near future as companies seek to rebuild cover. Nonetheless, the yield on the market at around 4% provides the investor with a good return, especially with inflation at such low levels, and should help to ensure that the stockmarket remains firmly underpinned.

Income

- Income received** 10. Gross Income for the year was £1,701,070 as compared with £1,732,179 in the previous year, the decrease being the product of reduced interest on deposits being set against increased dividend and other investment income.
- Income distribution** The income distributions made in the year under review are set out in note 8 to the accounts.

Accounts for year to 31st March 1993

11. The audited accounts for the year to 31st March 1993 are printed as the appendix to this Report.

(Sgd.) G. M. Murray,
Chairman.

SCOTTISH HOSPITAL TRUST

Statement of Accounts

Accounts
for the year to
31st March 1993

SCOTTISH HOSPITAL TRUST

Income and Expenditure Account

for the year ended 31st March 1993

	1993		1992	
	£	£	£	£
Income (Note 4):				
Dividends, interest and other income from investments		1,592,624		1,535,914
Interest on deposits		96,236		186,340
Interest on heritable bonds		137		137
Rents, feu duties and ground annuals net of outlays		12,073		13,657
Property maintenance		—		(3,869)
		<u>1,701,070</u>		<u>1,732,179</u>
Less: Expenditure				
Administration costs (note 7)				
—Investment managers fee	47,251		34,939	
—Secretaries fee	41,444		47,923	
—Audit fee	3,500		3,500	
—Accountancy fee	3,721		3,092	
—Expenses of administration	2,612		2,928	
		<u>98,528</u>		<u>92,382</u>
Basic distribution of £3 per bed/dental chair complement	—		160,971	
Income distributions based on the total value of the endowments transferred to the Trust of £8,534,024 (1992—£8,534,024)				
—Final distribution for the year ended 31 March 1992 at 4.32% (1991—4.20%)	369,047		358,732	
—Interim distribution for the year ended 31 March 1993 at 14.63% (1992—13.00%)	1,248,326		1,109,779	
Total distributions in year (Note 8)	<u>1,617,373</u>		<u>1,468,511</u>	
		1,715,901		1,721,864
Undistributed income at 31 March 1992		(14,831)		10,315
		<u>369,047</u>		<u>358,732</u>
Undistributed income at 31 March 1993, distribution date 30 June 1993 at 4.15% (1992—4.32%)		<u>354,216</u>		<u>369,047</u>
Surplus on realisation of investments				
Realised gains on investments		1,433,159		1,310,267
Realised losses on investments		(580,290)		(120,170)
Surplus carried to Endowment Fund (Note 6)		<u>852,869</u>		<u>1,190,097</u>

SCOTTISH HOSPITAL TRUST

Balance Sheet

as at 31st March 1993

	1993		1992	
	£	£	£	£
Investments (Notes 5 and 9)				
Deposits and Properties				
<i>Narrower range</i>				
Listed investments (market value, based on middle market price £4,448,680, 1992—£3,997,629)		3,579,622		3,579,622
Heritable bond		2,100		2,100
Feu duties and ground annuals		23,969		23,997
Short term deposits		170,655		170,406
		<u>3,776,346</u>		<u>3,776,125</u>
<i>Wider range</i>				
Listed investments (market value, based on middle market price, £24,160,219, 1992—£19,633,154)		14,000,329		13,086,657
Short term deposits		382,464		435,646
		<u>14,382,793</u>		<u>13,522,303</u>
<i>Special range</i>				
Heritable properties		9,859		9,859
		<u>18,168,998</u>		<u>17,308,287</u>
Other Current Assets				
Sundry debtors		109,851		55,134
Sums owed by brokers		176,398		—
Income tax recoverable		115,988		76,787
Bank deposit and current accounts		174,042		280,744
		<u>576,279</u>		<u>412,665</u>
Current Liabilities—amounts falling due within one year				
Sundry creditors and accruals		(31,734)		(29,491)
Sums owed to brokers		(245,544)		(61,500)
		<u>(277,278)</u>		<u>(90,991)</u>
		299,001		321,674
		<u>18,467,999</u>		<u>17,629,961</u>
<i>Representing</i>				
Endowment Fund (Notes 1 and 6)		18,113,783		17,260,914
Undistributed Income		354,216		369,047
		<u>18,467,999</u>		<u>17,629,961</u>

These Accounts were approved by the members on 20th May 1993 and were signed on their behalf by

G. MALCOLM MURRAY, *Chairman*

SCOTTISH HOSPITAL TRUST

Cash Flow Statement

for the year ended 31 March 1993

	1993		1992	
	£	£	£	£
Operating activities				
Income	1,607,136		1,711,763	
Expenses	(96,269)		(79,750)	
Distribution of income	(1,617,373)		(1,629,482)	
Net cash outflow from operating activities		(106,506)		2,531
Investment activities				
Purchase of investments	(4,804,296)		(4,904,419)	
Sale of investments	4,751,167		4,270,413	
Net cash outflow from investing activities		(53,129)		(634,006)
Decrease in cash and cash equivalents		(159,635)		(631,475)

Notes to the cash flow statement

1. Reconciliation of operating profit to net cash outflow from operating activities.	£
Operating surplus of income over expenditure	—
Increase in sundry debtors	(54,717)
Increase in income tax recoverable	(39,201)
Increase in sundry creditors and accruals	2,243
Decrease in undistributed income	(14,831)
Net cash outflow from operating activities	(106,506)
2. Analysis of changes in cash and cash equivalents during the year.	£
Balance at 1 April 1992	886,796
Net cash outflow	(159,635)
Balance at 31 March 1993	727,161

3. Analysis of the balances of cash and cash equivalents as shown in the Balance Sheet.	1993	1992	Change in year
	£	£	£
Short-term deposits, narrower range	170,655	170,406	249
Short-term deposits, wider range	382,464	435,646	(53,182)
Bank deposit and current accounts	174,042	280,744	(106,702)
	727,161	886,796	(159,635)

SCOTTISH HOSPITAL TRUST

Notes to the Accounts

1. Endowment Fund

- (i) The Endowment Fund is a central investment fund which is governed by the National Health Service (Scotland) Act 1978 to hold and manage investments and to distribute the income to Boards of Management, Regional Hospital Boards and NHS Trust hospitals in accordance with schemes made up by the Secretary of State.
- (ii) The Endowment Fund includes an amount of £302,504 transferred to the Trust in respect of the development fund of the Board of Management of the Astley Ainslie, Edenhall and associated hospitals. The share of the Endowment Fund, representing the amount transferred to the Trust, may require to be realised and re-transferred to the Lothian Health Board, upon direction by the Secretary of State, at an amount reflecting the capital value of the total held by the Trust at the date of realisation.

2. Investment powers

The Trust's power to invest in wider range investments is provided by Section 54 of the Law Reform (Miscellaneous Provisions) (Scotland) Act 1985 which declares, for the avoidance of doubt, that the Trust has the power to invest in any security in which trustees are authorised to invest under or in pursuance of the Trustee Investments Act 1961.

3. Basis of preparation

The accounts have been prepared under the historical cost convention modified to include the revaluation of certain assets (see Note 5).

4. Income

All dividends and interest from investments receivable for the year ended 31 March 1993 and received on or before 30 April 1993 have been brought into account at a tax inclusive amount. The tax suffered on this income is recoverable because of the charitable status of the Trust.

Rents, feu duties and ground annuals have been brought into account to the extent received in the year.

5. Investments and properties

- (i) Investments in the narrower and wider ranges are stated at original cost or their value at 1 April 1972, where applicable.
- (ii) The heritable bond was valued by the members at 1 April 1972, and has a fixed interest rate.
- (iii) Feu duties and ground annuals are shown at the members' valuation of six and a half years' purchase.
- (iv) Heritable properties are shown at the agreed figures when taken over or at independent valuations (latest valuation 1972).

SCOTTISH HOSPITAL TRUST

Notes to the Accounts (*continued*)

6. Movement on Endowment Funds

	Narrower range	Wider range	Special range	Total 1992
	£	£	£	£
Balance at 31st March 1992	3,795,676	13,455,379	9,859	17,260,914
Book value of realisations from special range	—	—	—	—
Profits on realisations from special range	—	—	—	—
Surplus on realisation of investments	23	852,846	—	852,869
Balance at 31st March 1993	<u>3,795,699</u>	<u>14,308,225</u>	<u>9,859</u>	<u>18,113,783</u>
<i>Represented by:</i>				
Investments, short term deposits and properties per balance sheet	3,776,346	14,382,793	9,859	18,168,998
Net current assets less undistributed income	19,353	(74,568)	—	(55,215)
	<u>3,795,699</u>	<u>14,308,225</u>	<u>9,859</u>	<u>18,113,783</u>

Analysis of fund including listed investments at market value

	Narrower range	Wider range	Special range	Total 1993	Total 1992
	£	£	£	£	£
Listed investments at market value	4,448,680	24,160,219	—	28,608,899	23,630,783
Heritable bond	2,100	—	—	2,100	2,100
Feuduties and ground annuals	23,969	—	—	23,969	23,997
Heritable properties	—	—	9,859	9,859	9,859
Short term deposits	170,655	382,464	—	553,119	606,052
Net current assets less undistributed income	19,353	(74,568)	—	(55,215)	(47,373)
At 31st March 1993	<u>4,664,757</u>	<u>24,468,115</u>	<u>9,859</u>	<u>29,142,731</u>	
At 31st March 1992	<u>4,213,683</u>	<u>20,001,876</u>	<u>9,859</u>		<u>24,225,418</u>

7. Employees

The Trust has no employees.

SCOTTISH HOSPITAL TRUST

Notes to the accounts (*continued*)

8. Income distribution

The Trust is not a grant making trust. It is obliged by Statute and Statutory Instrument to distribute its income to health boards and NHS Trusts as directed by the Secretary of State. Distributions made in the year were as follows:

	£
<i>Health Boards</i>	
Argyll & Clyde	128,150
Ayrshire & Arran	36,764
Borders	17,053
Dumfries & Galloway	34,160
Fife	68,920
Forth Valley	57,647
Grampian	121,950
Greater Glasgow	422,253
Highland	40,498
Lanarkshire	61,901
Lothian	401,390
Orkney	3,850
Shetland	6,408
Tayside	174,140
Western Isles	1,570
	<hr/>
	1,576,654
<i>NHS Trust Hospitals</i>	
South Ayrshire Hospitals NHS Trust	11,562
Aberdeen Royal Hospitals NHS Trust	29,157
	<hr/>
	<u>1,617,373</u>

SCOTTISH HOSPITAL TRUST

Notes to the accounts (*continued*)

9. Portfolio Analysis

	Value at 1st April 1972 or cost	Market value at 31st March 1993
	£	£
<i>Investments at 31st March 1993</i>		
<i>Narrower range</i>		
Debenture stocks	3,579,622	4,448,680
<i>Wider range</i>		
<i>Capital goods</i>		
Building materials	322,991	539,514
Contracting and construction	296,396	61,920
Electrical (excluding light electronics, radio and TV)	450,681	482,872
Electronics	602,696	1,516,150
Mechanical engineering	—	—
Other industrial materials	531,191	1,218,152
Metals and metal forming	—	—
Motors	210,470	166,400
	<u>2,414,425</u>	<u>3,985,008</u>
<i>Consumer goods</i>		
Media	210,002	337,500
Health and household products	714,126	1,246,030
Brewers and distillers	411,287	793,700
Hotel and leisure	348,124	588,450
Food manufacturing	1,316,376	1,934,400
Stores	876,969	1,346,725
Textiles	150,877	186,200
Food retailing	638,491	636,100
Packaging and paper	531,461	889,150
	<u>5,197,713</u>	<u>7,958,255</u>
<i>Other groups</i>		
Business service	199,745	294,000
Chemicals	167,536	204,000
Transport	265,212	490,708
Conglomerates	852,178	996,796
Electricity	502,779	672,030
Water	293,893	363,819
Telephone networks	815,992	1,538,625
	<u>3,097,335</u>	<u>4,559,978</u>
<i>Oil and gas</i>	<u>435,106</u>	<u>1,556,200</u>
<i>Financial group</i>		
Banks	545,528	701,750
Insurance (composite)	52,894	250,252
Insurance (life)	215,498	331,000
Insurance brokers	255,389	259,200
Property	377,020	464,900
	<u>1,446,329</u>	<u>2,007,102</u>

<i>Investment trusts</i>	1,180,869	3,555,051
<i>European and overseas trading</i>	120,623	427,103
<i>British Funds</i>	107,929	111,522
<i>Total wider range</i>	<u>14,000,329</u>	<u>24,160,219</u>
 Summary		
<i>Listed</i>		
Narrower range	3,579,622	4,448,680
Wider range	14,000,329	24,160,219
	<u>17,579,951</u>	<u>28,608,899</u>

Commitments in respect of partly paid shares amounted to £77,000 at the year end.

SCOTTISH HOSPITAL TRUST

Auditor's Report to the Trustees of the Scottish Hospital Trust

I have audited the financial statements on pages 6 to 13 in accordance with Auditing Standards. In my opinion the financial statements give a true and fair view of the state of affairs of the Trust at 31 March 1993 and of its surplus of income over expenditure and cash flows for the year then ended and have been properly prepared in accordance with The Law Reform (Miscellaneous Provisions) (Scotland) Act 1990 and The Charities Accounts (Scotland) Regulations 1992.

C. G. A. FLETCHER, CA
KPMG PEAT MARWICK
Chartered Accountants
Registered Auditors

20 May 1993

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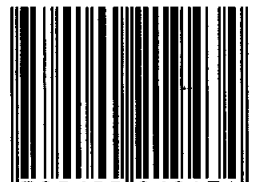
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