

Greenwich Hospital and Travers Foundation Accounts 2012-2013

Greenwich Hospital and Travers Foundation Accounts 2012-2013

Presented to Parliament pursuant to section 49 of the Greenwich Hospital Act 1865 and
section 21 of the Armed Forces Act 1976

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Greenwich Hospital

1 Administrative Information

Patron:

HRH The Duke of York, KG

Sole trustee:

Secretary of State for Defence

Director and Accounting officer:

Hugh Player (from September 2012)

Martin Sands (to September 2012)

Principal Address:

Gate House (from January 2013)

1 Farringdon Street

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London

EC4M 7LG

Websites:

www.grenhosp.org.uk

www.royalhospitalschool.org.uk

During 2012/13 the members of the Advisory Board were

Vice-Admiral Sir Charles Montgomery	Chairman (until October 2012)
Vice-Admiral David Steel	Chairman (from November 2013)
Simon Routh	Deputy Chairman - MOD (until September 2012)
Liz Cassidy	Deputy Chairman -MOD (from October 2012)
Martin Sands	DGH (until September 2012)
Hugh Player	DGH (from September 2012)
Paul Clarke	Property Member (until June 2012)
Stuart Beevor	Property Member (from September 2012)
Malcolm Naish	Property Member (from September 2012)
Joanne Dixon	Finance Member (until June 2012)
Matthew Thorne	Finance Member (from September 2012)
Hugh Twiss	Investment Member (until June 2012)
Vivian Bazalgette	Investment Member
Richard Hunting	Business Member
Christopher Tite	Legal Member (from September 2012)
Caroline Ann Thynne	Legal Member (from September 2012)
John Gamp	Secretary (but not member of AB)

During 2012/13 the members of the Advisory Panel were

Simon Routh	Chairman - MOD (until September 2012)
Liz Cassidy	Chairman - MOD (from November 2012)
Martin Sands	DGH (until September 2012)
Hugh Player	DGH (from September 2012)
Paul Clarke	Property Member (until June 2012)
Joanne Dixon	Finance Member (until June 2012)
Malcolm Naish	Property Member (from September 2012)
Vivian Bazalgette	Investment Member (until June 2012)
Ian Harwood	Investment Member (from June 2012)
Matthew Thorne	Finance Member (from September 2012)

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During 2012/13 the members of the School Governing Body were

H Strutt	Chairman
M Sands	Director of Greenwich Hospital (until September 2012)
J Gamp	Clerk in Charge Greenwich Hospital (from February 2013)
V Bidwell	
J Lynas (from November 2012)	
T Hill	
P Marshall	
H Jones	
R Mann (until February 2013)	
L Todd	
A Polson	
Cdre R Wallace	
A Tate	
Y Welch (until July 2012)	
K Beaton (from November 2012)	
H Wykes-Sneyd	

Auditor

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National Audit Office
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Reporting Accountants

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Government Banking Service
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CR9 1WW

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London WC2E 8JF

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Newton Investment Management Limited
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160 Queen Victoria Street
London EC4V 4LA

Property Managers

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5 Aldermanbury Square
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London EC2V 7BP

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Corbridge NE45 5LD

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11 Museum Street
Ipswich IP1 1HH

Hunters Property Investment Ltd

21 Woodstock Street
Mayfair
London W1C 2AP

Drivers Jonas Deloitte

Southern House
Athene Place
66 Shoe Lane
London EC4A 3BQ

Sheltered Housing Managers

CESSAC
1 Shakespare Terrace
Portsmouth PO1 2RH

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During 2012/13 the Senior Staff were:

Martin Sands (until September 2012)	Director and Accounting officer
Hugh Player (from September 2012)	Director and Accounting officer
John Gamp	Clerk in Charge Greenwich Hospital
Edward Dolby	Finance & Investment Director
Peter Linstead Smith	Head of Strategic Development
James Lockwood (from September 2012)	Head Royal Hospital School
Howard Blackett (until July 2012)	Head Royal Hospital School
David Charlton	Bursar Royal Hospital School

2 Objectives and Activities

2.1 Introduction

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

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

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

The Travers Foundation was 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. No pensions are currently paid & surplus income from the Foundation is applied for the charitable purposes of Greenwich Hospital.

2.2 Our aims and objectives

After more than 300 years, we continue to enjoy Royal interest through our patron, HRH The Duke of York, and we still strive to follow the spirit of our original Charter:-

"The relieve and support of seamen serving on board the shippes or vessells belonging to the Navy Royall who by reason of Age, Wounds or other disabilities shall be incapable of further service at sea and being unable to maintain themselves.

And for the Sustentation of the Widows and the Maintenance and Education of the Children of seamen happening to be slain or disabled. Also for the further relieve and Encouragement of seamen and Improvement of Navigation."

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The Hospital fulfils these aims through the support given to its beneficiaries who are today the serving and retired members of the Naval Service, their spouses, widows, widowers and children. At the Royal Hospital School, support is also given to the children who have a parent or grandparent who is serving or has served in the Royal Navy, Royal Marines, WRNS or UK Merchant Navy for a minimum of three years.

2.3 Public Benefit Statement

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

The Hospital has taken account of the Charity Commission's general guidance on public benefit when reviewing the Hospital's aims and objectives and in planning future activities and setting the grant making policy for the year. The Hospital delivers public benefit in accordance with its Royal Charter through the provision of pensions, grants and care for seafarers in need by reason of age, disability or financial hardship; provision of education and training, and recreational facilities and amenities. 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, also their grandchildren and the children and grandchildren of the UK Merchant Navy.

3 2012-2013 Operating Review

The Hospital's principle charitable activities have included grants to Naval and Tri Service charities, its sheltered housing schemes, its tertiary educational support, and its educational bursaries and other support to the Royal Hospital School, Holbrook, which is an integral part of the Hospital's organisation. The charity has provided development support (£50k) to the Sea Cadets, as in previous years, towards their project to replace the TS Royalist.

Statement of Financial Activities

The accounts have been restated for the previous year 2011/12 following reclassification of three items of expenditure. This is explained more fully in the financial review on page 13. Overall there has been a net increase in funds of £7.8m compared to £7.3m in the restated previous year. The main reason for the increase in funds has been a significant growth in the value of listed investments.

Net incoming resources before transfers and other recognised gains and losses was a deficit of £943,000 compared to a surplus in the previous restated year of £411,000. The decline in net incoming resources resulted from a reduction in investment income from both property and listed investments and increased expenditure at the Royal Hospital School relating to staffing and pupil transport. This is discussed in more detail in the financial review.

Balance Sheet

Net Assets have grown from £249m to £257m, after writing off £4.3m of design and planning fees from the discontinued plan to regenerate Greenwich Market. The decision not to proceed was taken in July 2012 and notified publicly in October 2012 with the arrival of the new Director. Work has since proceeded apace with the alternative scheme of 'Enhance and Improve' within Greenwich.

New Appointments

This financial year has seen the appointment of a new Second Sea Lord, Vice Admiral David Steel, who is Chairman of the Hospital's Advisory Board. It has also seen the appointment

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of a new Director Greenwich Hospital, Mr Hugh Player, and a new Headmaster of the Royal Hospital School, Mr James Lockwood.

Sheltered Housing

The Sheltered Housing schemes are managed under contract by the Church of England Soldiers' Sailors' and Airmen's Clubs (CESSAC) providing accommodation for a total of up to 124 beneficiaries in three separate schemes in Portsmouth, Plymouth and Greenwich.

Grants to Naval and Tri Service Charities

Greenwich Hospital has met the obligations of its charitable purposes through delivery of operating grants and other support to over 25,000 charitable beneficiaries, via 20 separate Naval and Tri Service charities, most grants being disbursed through the Royal Navy's umbrella charity the Royal Navy and Royal Marines' Charity (RNRMC).

Education

The charity has supported 120 bursary pupils from seafaring families, and a further 27 discounted places among the 2012-13 total of 684 pupils at the Royal Hospital School. The School's subsidiary trading company, RHS Enterprises Ltd, has contributed £375,000 towards the School under gift aid rules (2012: £190,000), a substantial increase.

Investment Assets

The Hospital's assets are mainly property and quoted investments. The property assets are managed by a fully professional in-house property team. The property interests are in different parts of the country but the main holdings (55%) are in Greenwich. The quoted investments are managed by Newton as the single investment manager who seek to remain alert and proactive in terms of market changes.

4 Review of 2012/13 achievements and performance

4.1 2012/13 Objectives

The Hospital's Objectives for the Financial Year 2012-13 were to:

High Level Objectives:

- *Sustain the charitable objectives and continue to increase resources granted to naval charities year-on-year;*
- *Achieve real growth in income and capital over the long term;*
- *Progress the work on modernising Greenwich Hospital statutes and governance;*
- *Review the Hospital's overall asset allocation strategy;*
- *Establish a definitive development plan for the Greenwich Estate;*
- *Progress Royal Hospital School legal independence by 2015 or earlier and financial independence by 2022;*
- *Publish an updated strategic plan for the period 2012-17, and the long term outlook to 2022.*

Operational Objectives:

- *Continue to improve existing GH governance procedures;*
- *Generate a surplus for FY 2012-2013 and maintain a sustainable balance between inputs and outputs;*
- *Continue to assess the alternatives for Greenwich Market regeneration and the options*

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available;

- *Maintain bursary funding to RHS within the cap of £2.5m to 2015;*
- *Progress the financial and capital requirements for the future independence of RHS ;*
- *Work with the Governors of the Royal Hospital School to select a new Headmaster;*
- *Achieve Greenwich Hospital HQ office re-location by December 2012.*

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

4.2 Royal Hospital School

The Royal Hospital School is a lively, balanced co-educational boarding and day school which aims to provide academic excellence for each child and an outstanding range of cultural and sporting opportunities. The School is strongly backed by first class pastoral care and a commitment to leadership, service and spiritual awareness. The Royal Hospital School aims to compete successfully within the independent schools market. The School completed a strategic review in November 2012 resulting in an action plan to achieve financial and legal independence from the Hospital by 2022.

Bursaries and discounts are awarded to the children and grandchildren of serving and retired Royal Navy, Royal Marines and UK Merchant Navy personnel who have served a minimum of three years. Some other seafaring professions are also eligible for a bursary or discount provided there is sufficient seagoing service. Bursaries are awarded to eligible pupils based on a mixture of seafaring eligibility, charitable need and performance in the school entrance exams. Discounts are awarded based on seafaring eligibility and academic performance. The Hospital will continue to manage the value of bursary funding and discounts each year in order to reduce its overall financial contribution to the School. The current Headmaster was appointed in September 2012, in a competitive selection process, having previously been the Deputy Head. The new Head's objectives focus on achieving the conditions for future independence by improving academic standards, maintaining and increasing School numbers by the marketing and development of the School.

At the start of the Autumn 2012 the school had 684 pupils of which 204 were day pupils and 480 were boarders. 147 pupils were supported by bursaries or discounts. Additionally 132 were the children of serving armed forces personnel in receipt of Continuity of Education Allowance who receive a discount on fees. For the academic year 2013-14 the Hospital awarded 14 new bursaries and 2 new discounts. The combined cost of the school bursaries and covering the deficit amounted to £3.7m of the Hospital's charitable expenditure.

The academic year 2012 marks the School's 300th anniversary. It has undertaken a wide range of activities including establishing a new Heritage Centre, producing a commemorative book marking the School's 300 year anniversary, and various social events including sailing events and dinners for current and former pupils. The School has used a number of these activities as fundraising opportunities. In the financial year 2012/13 £49,000 has been raised towards the cost of the new Heritage Centre and 71% of the cost of the producing the commemorative book has been recovered. It is expected that the commemorative book will eventually make a £25,000 surplus. The events have also raised £5,000 which will be put towards other projects.

The Royal Hospital School Enterprises Limited company generated £375,000 (2011-12: £190,000) for the unrestricted benefit of the School. See note 6 for details.

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4.3 Sheltered Housing

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

In 2012/13 8 new tenants moved into the schemes to replace 8 vacancies that arose. The Hospital continued a rolling programme of kitchen and bathroom refurbishment replacing 7 kitchens and 4 bathrooms. In May 2012 CESSAC received the Centre for Housing and Support (CHS) Code of Practice accreditation a nationally recognised set of service standards which demonstrates CESSAC's commitment to provide an excellent service for the Hospital's tenants.

Each scheme has a strong community atmosphere and enjoys a range of social activities including coffee mornings, bingo nights, film nights, and quizzes and celebrations at Christmas and during the summer. The schemes raise funds for charities which this year included Troop Aid & Little Harbour Children's Hospice.

All three sites offer one or two bedroom accommodation built to modern standards. The tenants pay rent based on housing association rates to contribute to the costs of running the schemes. Flats are allocated on the basis of priority of need and are currently fully subscribed. Financially the Hospital's sheltered housing is targeted to cover its costs, including the management fee but excluding depreciation. This was achieved in 2012/13.

4.4 Grants

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

The majority of the Hospital's grant aid for Naval benevolence is made through the RNRMC, which was established to rationalise over 60 internal Naval Charities embracing amenities, sport, prizes, benevolence, death in service grants. RNRMC encourages independent external Naval charities to join the RNRMC in order to provide a single focus for Naval Charity. The Hospital continues to make direct grants to other naval charities or individuals within its objects where the RNRMC is not an appropriate conduit for such charitable output.

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

In 2012/13 the Hospital provided over £2.9m by way of new charitable grants to over 20 Royal Naval and Tri-Service charities. A further £50,000 was paid to the Marine Society and Sea Cadets in relation to a commitment made in a previous year to contribute to the replacement of TS Royalist.

A list of grants given on the next page:

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	£	Naval Beneficiaries
Jellicoe Pensions RNBT	998,400	1,137
Pembroke House RNBT	85,673	100
Royal Navy Benevolent Trust RNBT	373,741	2,800
RNRMC on behalf of Naval Service		
Dependants Fund	128,152	15
Combat Stress	100,000	443
Scottish Veterans Residences	100,000	17
Women's Royal Naval Service Benevolent Trust	86,004	345
Sailors Families Society	69,000	276
Royal Navy & Royal Marines Children's Fund	530,000	2,000
SSAFA Forces Help	60,000	6,549
Regular Forces Employment Agency	50,726	605
Royal Sailors Rest	50,000	7,646
Royal Alfred Seafarers	38,500	48
Queen Alexandra Hospital Home	34,400	10
Veterans Aid	30,000	36
Not Forgotten Association	30,000	3,000
Erskine	30,000	75
St Dunstan's	25,000	700
Alabare Christian Care	20,000	20
Royal Star & Garter	15,000	28
Stoll	10,000	32
Families Activity Breaks	10,000	10
RNRMC on behalf of HCPT	5,250	
Herne Bay Sea Cadets	50	
Gravesend Sea Cadets	520	
	<hr/>	
	2,880,416	25,892
Educational Grants	19,500	
Legal Fees	7,945	
	<hr/>	
	2,907,861	

The larger grants include:

The Royal Navy & Royal Marines Charity (RNRMC)

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

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

Greenwich Hospital continued to fund legal and professional fees specifically to enable the rationalisation of Naval charities under the umbrella of the RNRMC in accordance with an

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Admiralty Board directive. RNRMC is also becoming the principal conduit for most of the Hospital's benevolence grants to naval charities.

The Naval Service Dependants' Fund

The Naval Service Dependants' fund provides immediate relief to the named beneficiary or next of kin on notification of death. It is not means tested and is paid out in all circumstances within 48 hours.

Jellicoe Annuities.

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

Royal Naval Benevolent Trust (RNBT)

RNBT gives substantial support to Royal Navy and Royal Marine veterans and their widows through a range of grants to individuals. The Hospital has also helped to meet the cost of running the RNBT'S residential and nursing home, Pembroke House, in Gillingham, Kent.

Combat Stress

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

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

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

Women's Royal Navy Service Benevolent Trust (WRNSBT)

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

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

Sea Cadets TS Royalist Replacement

The Sea Cadets rank as a Naval Charity and are supported under the Hospital's charitable object for the Relief and Encouragement of Seaman and the Improvement of Navigation.

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The Hospital has been donating a significant sum annually towards the Appeal for a replacement for Sea Cadet Flagship, TS Royalist, which is over 40 years old. An expedition on a sailing ship is considered the pinnacle of a sea cadets training and TS Royalist has provided many tens of thousands of young people with a life changing experience. The new ship will be a square rigged brig similar in size and design to the existing ship. The project is due to complete in 2019 and is expected to cost £7.5m. Greenwich Hospital's commitment to the project totals £900,000. The Sea Cadets has a membership of 13,850 cadets and 6,285 adult instructors. This grant therefore assists an annual membership of 20,135. The voyages total 7,176 cadet days a year.

Scottish Veterans' Residences

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

4.5 Quoted Investments

The Hospital has £85m in quoted investments which are managed on our behalf by Newton. We invest in seven of their funds to obtain a balance of investments across different geographic areas, industries and asset classes. Each fund is benchmarked against a relevant index and our overall portfolio is benchmarked against a composite benchmark. Our portfolio comprises the main fund of £81m, the income from which is spent on charitable purposes and the Reade Accumulation fund of £3.5m, the proceeds of which are reinvested. The income target for the main fund was £3.7m after management fees and the income achieved was £3.5m. The portfolio increased in value from £77m to £85m during the year after a further £2m was withdrawn from the portfolio and reinvested in property.

The financial investment policy was reviewed. We set our fund managers new targets and revised the distribution of our portfolio in order to optimise the spread of risk, income and capital growth. Bonds comprised 12% of our quoted investments at the yearend compared to 25% at the start of the year.

4.6 Property Portfolio

The Hospital has an investment property portfolio of £153m. This portfolio includes commercial and residential property in Greenwich, rural and development land predominately in the North East of England, a stake in an indirect property fund and a share in a central London estate.

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

Following the decision not to proceed with the original regeneration scheme in Greenwich we have been able to progress activity for growth across all the Hospital's property assets. Net income from the investment property portfolio was £4.4m.

Greenwich Estate

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

The Estate has been valued at £85m on an individual building basis and produced net income of £2.9m in 2012/13. The estate is managed on our behalf by BNP Paribas. The

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market valuation, should the entire estate be sold rather than individual properties, is estimated at £92m.

The review of funding options for Greenwich Market led to a decision not to proceed with the original regeneration scheme but to bring forward a number of smaller projects with a view to delivering earlier returns. This resulted in the write off of £4.3m capitalised design and planning fees incurred in previous periods.

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

The key elements of our commitment to invest in our material assets in Greenwich are to:

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

There are currently three projects under way. The construction of four town houses and three apartments on a former car park site on Old Woolwich Road is due to complete in November and we have considerable interest from prospective tenants wishing to rent. Numbers 20-22 Greenwich Church Street will be replaced with a new retail unit and two apartments on the upper floors. The building will be completed in March 2014 and we have interest from a party willing to consider a pre-let of the retail unit. Finally, Jamie's Italian opened in early May and has been a great success at 17-19 Nelson Road. The Hospital is about to commence with the refurbishment of the upper floors to provide five apartments to let. Project completion will be in October 2013.

In addition, here are four major projects currently in design stage. 34-36 Greenwich Church Street, 40-42 Greenwich Church Street, 1 Nelson Road and 21 King William Walk and the market roof and Fry's Court together with improvements to access and landscaping. We have held pre-application meetings with the planning officers and will be submitting formal applications.

Northern Estates

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

The Estate has been valued at £26m and during 2012/13 it generated net income of £355k. This gave us a net yield on the Northern Estates of 1.4% and a total return of 3% .

The Hospital continues to make representations on the development land to the west of Throckley near Newcastle. We acquired two houses on Hexham Road, to assist vehicle

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access to the site in the event of a residential allocation being achieved and agreement not being reached with the local authority regarding access over land belonging to it.

Holbrook Estate

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

The Holbrook Estate has been valued at £6.6m and during 2012/13 it generated net income of £105k. This gave us a net yield of 1.6% and a total net return on the Estate of 4.5%.

Pollen Estate

The Pollen Estate consists of office space, residential units and retail outlets, which are mostly situated on Saville Row. It is managed through a trustee company. We own 10.2% of the Estate and receive regular dividends. Our share of the estate, net of debt, is valued at £31m and it generated £844,000 income. Our share of the estate gave a total return of 13.6%.

Schroder's Property Fund

The Hospital held £2.3m shares in the Schroder UK Property Fund. These were sold in April 2013. The sale is recorded as a post balance sheet event.

4.7 RHSEL and Travers

Royal Hospital School Enterprises Limited

The Hospital owns 100% of the share capital of Royal Hospital School Enterprises Limited (RHSEL) which carries out commercial trading activities on behalf of the Royal Hospital School (and ultimately Greenwich Hospital). All profits generated are gift aided to the Hospital. See note 6 for further details.

Travers Foundation

The Travers Foundation was 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.

A surplus of £56,000 (2011-12: £51,000) was generated from rental income and returns on financial investments. The net movement in funds showed an increase in the net assets of £271,000. The net income of the Foundation is available to the Hospital.

Greenwich Hospital

5 Financial Review

5.1 Financial Policies

Liquidity Resources & Reserves Policy

The Hospital's policy is to maintain sufficient free cash reserves and liquidity to meet the commitments made for charitable activities and capital improvements. We review liquidity each year as part of the budgeting process to ensure it is consistent with our policy and strategic aims. The Hospital has not borrowed during the course of the year but it is authorised to do so should it consider it helpful or necessary.

The Hospital also has to account for the liability arising from the Greenwich Hospital pension scheme which is reviewed annually subject to actuarial input.

Restricted funds represent monies received by way of gifts and legacies where the use of the funds is limited by specific conditions. Charitable property reserves represent the School and Sheltered Housing and are required for the delivery of our charitable aims. Reserves for specific major projects will be identified when required by the Hospital. The remaining reserves represent investment property and quoted investments which are required as Greenwich Hospital's charitable funding comes mainly from investment income.

Investment policy and objectives

The Hospital's portfolios are managed by property agents and investment managers reporting to the Hospital's executive team and Advisory Board. The property agents manage the portfolios having regard to income and expenditure targets and benchmarks which are set and regularly reviewed by the executive team and the Hospital's Advisory Panel. The Hospital's asset allocation and total return is intended to maintain income with a relatively low volatility in capital values. The Hospital's direct property investments are predominantly commercial, residential and agricultural holdings in Greenwich, London, Northumberland and East Anglia. Asset management initiatives are implemented to further this aim.

The objective for quoted investments is:

“To generate a sufficient return from the portfolio so as to be able to fund, principally out of income, its charitable outputs and to grow them in future years at least in real terms, whilst at the same time seeking at least real growth in the capital value of the portfolio over the longer term”.

This objective is pursued by prudently investing in a broad range of equities and fixed interest securities which are quoted on a recognised investment exchange, in UCITS Funds (funds that can be marketed in all countries in the European Union) or funds that are authorised or recognised under the Financial Services & Markets Act 2000 or cash. No direct investments are made in alternative asset classes, such as Hedge Funds, Private Equity Funds or other investments which are not quoted or authorised as above.

The objective of Greenwich Hospital's property investment strategy is to provide the highest total return from the assets in order to meet its charitable commitments and to maintain the value of the portfolio over time. This objective is followed by consolidating the core estate and acquiring premises within or adjacent to it where there is a financial or practical benefit to the core estate in order to build blocks of ownership. We do not currently dispose of freehold interests other than where the property does not form part of the core holding or where sufficiently favourable terms can be achieved and a capital receipt is the most advantageous course of action for the Hospital.

Greenwich Hospital

Payments to Suppliers

The Hospital aims to pay all suppliers in accordance with contractual terms. The Hospital pays all its suppliers on average within 21 days, calculated using year end figures of amount owed to trade creditors as a proportion of the amount invoiced during the year.

5.2 Financial Management

There is an effective system of financial control throughout Greenwich Hospital's activities, including those of the Royal Hospital School. Accounts are maintained in a form which meets Greenwich Hospital's internal management needs, the requirements of the Charities SORP and the needs of the Advisory Board and Panel. No funds from the Hospital are paid or disposed of without proper authorisation within the terms of the appropriate Acts of Parliament; and such authorisation is preceded by appropriate scrutiny of requirements and value for money considerations. In addition major projects are subject to a formal investment appraisal.

All of the Hospital's directly held property and financial investments are managed by independent specialists. The specialist managers are required to report quarterly with a financial report against budget and benchmarks, and a commentary on variances and the performance of the investments. In addition, the Finance Manager and her assistant undertake management validation reviews of the three main property holdings, the Royal Hospital School and Sheltered Housing. The Hospital is also the steward of some 700 heritage works of art, goods and chattels. The Hospital's art collection and other significant heritage items are principally under the day to day care of the National Maritime Museum and the Old Royal Naval College with whom there are formal loan agreements. The Hospital's specialist managers report regularly to the Advisory Panel.

A five year Short Term Plan (STP) is prepared annually comprising individual plans for each of the Hospital's major activities, including the sheltered housing schemes, the directly held estates, quoted investments, the headquarters and the Royal Hospital School. The individual STP's are prepared by the agents and managers responsible and the School's STP is approved by its Board of Governors. The combined STP is approved by the Director and reviewed by the Advisory Panel and Advisory Board.

5.3 Management Information

Management information including all financial reporting is prepared either by internal Greenwich Hospital staff or external professional consultants. Reports put to the Hospital's senior management team, the Advisory Board and Panel and the Admiralty Board are examined and revised where appropriate. Advisory Board and Admiralty Board approval, where required, is given on the basis of the Boards being satisfied that the data is accurate and of sufficient quality.

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

5.4 Financial Results

The Hospital's Accounts for the prior year 2011/12 have been restated to reflect three changes in expenditure classification. The accounts are also issued, for the first time, as consolidated group accounts reflecting the increased turnover of the Royal Hospital School Enterprises Ltd. The interest on the pension liability is now included within the total of net incoming resources before transfers and other recognised gains and losses. In previous years it was included within other recognised gains and losses. This is a presentational change to bring the Statement of Financial Activities in line with the requirements of the

Greenwich Hospital

Charities SORP (2005). It has no impact on net movements in funds as it was always included within that total. We have made a £700,000 adjustment to the 11/12 accounts to recognise a constructive obligation to pay the Marine Society and Sea Cadets a further £700,000 in future years including £50,000 in 2012/13. The obligation arose in 2011/12 as a result of the Hospital writing to the MSSC confirming the availability of future funding. In accordance with the Charities SORP such confirmation of future funding for a project requires the entire grant to be recognised in the year the commitment is made. The resources expended in 2011/12 have therefore been increased by £700,000 and creditors increased by £700k. In future years including 12/13 payments of this grant will result in a reduction in the creditors rather than showing as resources expended. We have reclassified the Schools consumable maintenance supplies as stock. They are therefore now recorded on the balance sheet rather than being expensed as they are purchased.

Total funds carried forward are £257m which is an increase of £8m on the previous year. The growth in funds has mainly resulted from the strong growth in our portfolio of listed investments. Our net incoming resources before transfers and other recognised losses is a deficit of £940,000 compared to a surplus of £412,000 the previous year. The main area of increased expenditure is the Royal Hospital School. The Schools expenditure increased significantly in terms of marketing, pupil transport and support staff pension costs.

5.5 Review of spending

Total resources expended before administration costs, interest on pension liability and recognition of other gains and losses was £22m. Expenditure has been £0.7m higher than previous years with increased expenditure on staffing and administration at the School. This relates partly to one off costs incurred in restructuring staffing, an increase in support staff pension costs and costs incurred in encouraging higher pupil numbers through marketing and pupil transport.

The Hospital spent a net £5.3m on grants, sheltered housing and school bursaries. Headquarters costs increased from £1m to £1.2m as a result of one off costs relating to recruitment and office moves. This represents around 5% of our total expenditure.

The Hospital has an in house, unfunded defined benefit employee pension scheme with around 450 members. Fewer than 30% of these members are current employees. The scheme is now closed to new members but it remains a costly historic legacy for the Hospital to run. Expenditure on the scheme recognised in 2012/13, net of employee contribution, was £1.6m.

5.6 Review of Investment

The market value of the Hospital's investment portfolio at the end of March 2013 comprised £153m investment property and £85m listed investments. An increase of £12m over the previous year. The portfolios total annual return of 9% was a strong performance with average returns of 4.3% over the previous 5 years.

The total return for our listed investments was 18% against a benchmark target of 12%. Income received was in excess of £3.5m and market value increased by £7.5m despite £2m being withdrawn from the portfolio to support property investment.

The financial year 12/13 started with concerns in financial markets about the stability of the Euro zone and uncertainty over how Governments would react in terms of economic policy. There were also concerns about slowing of activity in the major economies including China. This uncertainty resulted in bond prices increasing and the major equity markets particularly losing ground. Later in the year whilst concerns over the Euro zone continued the USA's potential fiscal cliff dominated the market news. The year ended with markets still appearing fragile and concerns that low interest rates and unorthodox banking policies may serve to keep unviable companies alive.

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We have kept the composition of our portfolio under review throughout this period. Early in 2013 we exchanged £5m bonds for £5m equity and also freed up £2m to invest in property. This allowed us to take advantage of the relative weak equity markets and strong bond markets. Our focus on equity markets is on keeping investments in well researched companies, wherever they are in the world, so as to avoid the less well performing companies that may be being supported by current low interest rates and banking policies.

The property portfolio includes commercial and residential property in Greenwich, rural and development land predominately in the North East of England and Suffolk, a stake in an indirect property fund and a share in a central London estate.

The performance of our property portfolio has been temporarily lowered by the redevelopment of Greenwich, our largest estate. The review of funding options for Greenwich Market led to a decision not to proceed with the original regeneration scheme but to bring forward a number of smaller projects with a view to delivering earlier returns. This resulted in the write off of £4.3m capitalised design and planning fees. Additionally we had £5.8m of capital expenditure at Greenwich as part of the Enhance and Improve strategy. The capital expenditure will not increase returns or values significantly until work is completed and properties are re-let. There has, therefore, been a temporary drop in financial performance at Greenwich. The performance of our externally managed property fund has been disappointing and a decision to sell and invest in directly managed property was made during the year with the sale completing in April 2013.

The remainder of the property portfolio performed strongly, particularly the Pollen estate where we had a £3.4m increase in valuation.

6 Future Plans

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

- Work with Navy Command and Naval Charities to develop a longer term strategy for identifying and better supporting Naval need.
- To review the Memorandum of Understanding with the RNRMC.
- To plan the way forward options for the RHS, charting the path to independence and developing milestones to assist directional planning, recognising the progressive reduction in RHS bursary funding.
- To progress the options for modernising the legal status of Greenwich Hospital in order to better deliver the Naval charitable output in the 21st Century.
- To maintain and enhance the current charitable outputs.
- To achieve a total return on investment property portfolio of 4% over RPI over the long term.
- To achieve a sufficient total return from the quoted investments portfolio to fund our charitable outputs and to grow our capital value.
- Review business continuity and disaster recovery procedures.

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7 Statement as to Disclosure of Information to Auditors

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

H H Player

Director of Greenwich Hospital

16th October 2013

8 Scope of responsibility

The Director of Greenwich Hospital is its Accounting Officer and is responsible to the Secretary of State for Defence (S of S) in his capacity as the sole trustee of Greenwich Hospital for:

- The proper and effective management of Greenwich Hospital and the achievement of its charitable objectives;
- The regularity and propriety of Greenwich Hospital's administration and expenditure in accordance with the objects of the Royal Charter and the provisions of the relevant Acts of Parliament.

Greenwich Hospital employees are Crown servants and are required to adhere to the Seven Principles of Public Life as established by the Committee on Standards in Public Life ("The Nolan Committee") in 1995 (Cm 2850, 11 May 1995). These standards are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

Greenwich Hospital

9 Governance Statement

This Governance Statement sets out the arrangements for the governance of the Hospital, including the organisational structure, the Trustee and the Advisory Panel and Board.

9.1 Statement of Trustee's and Director's responsibilities

The Secretary of State for Defence acting in execution of the Greenwich Hospital Acts 1865-1996 and Defence transfer of functions Act 1964 is the sole 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 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.

9.2 Structure

Greenwich Hospital is a Crown body which, in meeting the requirements of its Royal Charter, operates like a charity, albeit that the Charity Commission does not recognise the Hospital as a Charity due to its legal status. The constitution of Greenwich Hospital is set out in the Royal Charter of 1694 and its charitable objects are governed by the subsequent Greenwich Hospital Acts 1865-1996.

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, acting in execution of the Greenwich Hospital Acts 1865-1996 and the Defence (Transfer of Functions Act) 1964, who holds all the land, property and financial assets of Greenwich Hospital in trust for the Sovereign for the exclusive benefit of Greenwich Hospital (Greenwich Hospital Act 1865 s.23).

The Secretary of State for Defence is the sole Trustee of Greenwich Hospital delegating management through the Admiralty Board to the Director of Greenwich Hospital. The Director of Greenwich Hospital is responsible by virtue of a directive from the Admiralty Board for the proper and effective conduct of the functions of Greenwich Hospital including the regularity and propriety of the Hospital's administration adhering faithfully to the spirit of the Charter and complying with the relevant statutes.

The Director of Greenwich Hospital is assisted in his duties by an Advisory Panel, which offers professional and expert guidance on the formulation of the Hospital's Investment Strategy, and is responsible for its implementation. An Advisory Board chaired by the Second Sea Lord oversees the management of Greenwich Hospital on behalf of the Secretary of State for Defence. Both bodies are purely advisory. Members of the Advisory Board and Advisory Panel are appointed by the Admiralty Board, with terms of office intended to ensure smooth transitions, and with strength in depth in terms of professional expertise, qualification and experience. The full list of names, appointments, and dates of joining / leaving within the reporting year are shown on Page 1. We welcome that our appointed non-executive members bring significant skills and note that they receive no

Greenwich Hospital

remuneration or other benefits from their considerable commitment of time to the Hospital, although reasonable expenses are paid where appropriate.

Under the Hospital's current status the Advisory Board does not have any legal authority, however following best practice in the charity and commercial sectors, the Hospital operates the Advisory Board in the manner of a Board of Trustees.

The Board and Panel currently each meet 4 times a year with ad hoc meetings of the relevant experts to address specific issues as required. The Audit and Nominations sub-committees are expected to meet twice a year. Meetings are minuted by the Greenwich Hospital executive staff and deposited periodically with The National Archives.

The Advisory Board and Panel receive regular reports from the Hospital's professional advisors and managers on financial and property investments, charitable outputs and the Royal Hospital School (RHS). The accounts of RHS and Sheltered Housing are separately and professionally audited. In 2012-13 the Board particularly addressed governance, Greenwich Market regeneration and RHS financial independence. Hugh Player and James Lockwood took up posts as new Director of the Hospital and Headmaster respectively in Autumn 2012.

9.3 Management

Strategic Management

The oversight of Greenwich Hospital's strategic policy is carried out by the Greenwich Hospital Advisory Board (GHAB) and, for finance and investment, the Greenwich Hospital Advisory Panel (GHAP). Responsibility for Management of the Hospital is delegated to the Director by a formal letter of delegation from the Admiralty Board.

A Strategic Plan is produced every five years and a proper and effective risk assessment is produced and presented annually to the Advisory Board.

Delegation

The Director is authorised to delegate his powers and responsibilities to members of Greenwich Hospital staff as he sees fit. Such delegation is made on a personal basis and in writing. In addition the Clerk-in-Charge of Greenwich Hospital, who is for the time being a serving civilian officer of the Ministry of Defence, is authorised to assume any of these powers and responsibilities in the Director's absence without specific further direction.

The Hospital has received Investors in People accreditation and it ensures that its staff at all levels:

- have a clear view of their objectives and the means to assess and measure outputs;
- are assigned well-defined responsibilities having the information training and access to expert advice which they need to exercise their responsibilities effectively;
- are given the highest level of delegated authority commensurate with their abilities and the needs of the organisation and are made fully aware of the limits of their delegated authority;
- are themselves properly managed, developed, motivated and rewarded in accordance with best practice within the charitable sector.

Data Protection and Management

As Greenwich Hospital's Senior Information Risk Owner the Director ensures that Greenwich Hospital protects the personal data of its employees, beneficiaries and other intermediaries in accordance with the Data Protection Act 1998 and, where appropriate, the Cabinet Office Information Assurance Maturity Model. The Hospital has appointed a Data Protection Officer (DPO) registered with the Information Commissioner's Office. The Director also ensures that appropriate data protection arrangements are in place at the Royal Hospital School, and with any of Greenwich Hospital's agents, contractors, managers and

Greenwich Hospital

professional advisers. During 2012-13 no incidents were reported that have resulted in the unauthorised disclosure of protected personal data.

9.4 Risk Management Framework

The Hospital has a well established approach to risk management which continues to improve in line with the development of the charity. The risk process is designed to consistently identify and prioritise risks to the achievement of our charitable aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically. Each risk has a designated owner and specific actions are planned to mitigate the risk. This information is collated into a risk register which is a standing item on the Audit Committee agenda. The risk register is reviewed regularly and is reflected in the Annual Management Plan. The Head of Strategic Development is formally tasked with the management of the Risk Register and the Annual Management Plan.

Risks are considered under the following headings:

- Reputation
- Management of Assets
- Management of Liabilities
- Income
- Charitable Expenditure
- Administration
- Personnel
- Compliance with Regulations
- Data Protections
- Health and Safety
- Physical Disaster
- Political Environment

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

The current risk register identifies four high strategic risks. The two highest both relate to the Royal Hospital School these being:

- Political risk of fee income dependency and charitable status
- Failure to achieve financial independence.

The School and Hospital are well aware of the impact of these risks and the School's turnaround plan is seeking to address them.

The other two high strategic risks are:

- The unfunded in-house pension scheme
- The Hospital's Governance Status

The Hospital's future status and draft legal submissions for inclusion in the Armed Forces Bill 2015 are being developed at Navy Command Headquarters. The Pension scheme is now closed to new members and options for further reducing this risk are being explored.

Specific internal controls in operation in the Hospitals operational areas are outlined below.

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Royal Hospital School

The Royal Hospital School (RHS) is owned and supported by Greenwich Hospital. The Clerk in Charge is an ex officio governor of the School. He sits on the main board of governors and also sits on the Finance, Property, Remuneration and Strategic Development Sub Committees as does the Director.

As the Hospital HQ is not co-located with the RHS, responsibility for ensuring RHS compliance with all appropriate legislation is delegated to the Headmaster, albeit that the School has no separate legal identity from the Hospital which ultimately bears the legal responsibility. There are also separate financial delegations to the Headmaster and the Bursar. The Director of the Hospital is automatically informed of incidents involving Health and Safety and major disciplinary issues. Auditors (Larking Gowen) are engaged to report to the Director about the School's results.

Naval Charity

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 subsequent 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 2012-13 most grants and annuities were channelled via the Royal Navy & Royal Marines Charity (RNRMC) and were governed by a formal Memorandum of Understanding covering the detailed processes and audit trail requirements.

Sheltered Housing

Management 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, resident welfare and routine maintenance. Routine meetings are held with CESSAC to review operation of the Schemes. Auditors (Jones Avens) are engaged to report to the Director on the annual financial performance of the Schemes.

Property Investments

Procedures are in place to check the financial standing of all new property tenants and to ensure that no single tenant becomes too material to the Hospital's overall income. The Hospital's agents are charged with responsibility for health and safety and maintaining adequate insurance cover. Procedures are in place to assess the financial viability of Property Purchases and enhancements. Additional budget monitoring procedures are in place to control expenditure on projects and to confirm the planned financial return is achieved.

Quoted Investments

Our Investment Managers, Newton, invest in line with the Hospital's Investment Policy which aims to balance risk and return effectively by placing limits on the amounts invested in different assets. Risk is positively managed through diversification. The policy is reviewed annually by the Advisory Panel.

Newton is independently audited each year in accordance with ISAE 3402. We receive copies of the audit report which confirms compliance with Internal controls.

Greenwich Hospital

Anti Fraud Policy

In order to minimise the risk and impact of fraud the Hospital has an anti fraud policy. The objectives are:

- firstly, to create a culture which deters fraudulent and corrupt activity, encourages its prevention and promotes its detection and reporting and;
- secondly, to ascertain and document its response to cases of fraud and corrupt practices.

This is to be achieved by staff

- identifying and assessing the risks involved in the operations for which they are responsible;
- developing and maintaining effective controls to prevent and detect fraud;
- carrying out vigorous and prompt investigations if fraud occurs;
- taking appropriate disciplinary and/or legal action against perpetrators of fraud.

9.5 Review of the effectiveness of Internal Controls

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

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

H H Player
Director of Greenwich Hospital

16th October 2013

Greenwich Hospital

10 Audit Report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements of Greenwich Hospital for the year ended 31 March 2013 under the Greenwich Hospital Act 1865. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated and Charity Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Trustee, Director and auditor

As explained more fully in the Statement of Trustee's and Director's Responsibilities, the Trustee and the Director are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and report on the financial statements in accordance with the Greenwich Hospital Act 1865. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Greenwich Hospital's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Greenwich Hospital; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of Greenwich Hospital's affairs as at 31 March 2013 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Greenwich Hospital Act 1865 and the accounting policies set out within them.

Opinion on other matters

In my opinion:

- the information given in the 2012-13 Operating Review, the Review of 2012-13 Achievements and Performance and the Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
4 November 2013

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

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Consolidated Statement of Financial Activities for the year ended 31 March 2013

		Unrestricted	Restricted	Total funds	Total funds
		Funds	Funds		Restated
	Note	£'000	£'000	£'000	31/03/2012
					£'000
Incoming resources					
Investment income					
Property	3	7,001		7,001	7,067
Investments	4	3,837		3,837	4,261
Bank interest receivable		10		10	18
Incoming resources from charitable activities					
Royal Hospital School	5	10,653	715	11,368	11,208
Sheltered housing		487		487	455
Incoming Resources from Activities for Generating Funds					
RHSEL Lettings Income	6	544		544	294
Other income		0		0	9
Total incoming resources		<u>22,532</u>	<u>715</u>	<u>23,247</u>	<u>23,312</u>
Resources expended					
Investment costs					
Property	3	2,621		2,621	2,662
Investments	4	298		298	240
Costs of charitable activities					
Royal Hospital School	5	14,739	709	15,448	14,298
Sheltered housing		581		581	537
Grants, annuities and donations	7	2,908		2,908	3,502
Costs of Generating Funds					
RHSEL Lettings Costs	6	169		169	104
Total resources expended		<u>21,316</u>	<u>709</u>	<u>22,025</u>	<u>21,343</u>
Headquarters administration	8	1,216		1,216	1,008
Derecognition of liability	17				(377)
Interest on Pension Liability	18	949		949	927
Net incoming resources before transfers and other recognised gains and losses		<u>(949)</u>	<u>6</u>	<u>(943)</u>	<u>411</u>
Other recognised gains/(losses)					
Disposal of investment properties		197		197	46
Disposal of quoted investments		74		74	411
Revaluation of investment properties	13	3,099		3,099	8,606
Abortive Regeneration Fees	13	(4,327)		(4,327)	0
Revaluation of quoted investments	14	9,381		9,381	(192)
Actuarial gain/(loss) on pension scheme	18	287		287	(1,981)
Net movement in funds		<u>7,762</u>	<u>6</u>	<u>7,768</u>	<u>7,301</u>
Total funds brought forward at 1 April 2012	22	248,538	534	249,072	241,771
Total funds carried forward at 31 March 2013		<u>256,300</u>	<u>540</u>	<u>256,840</u>	<u>249,072</u>

The previous year has been restated following a reclassification of interest on Pension Liability so it is included in net incoming resources rather than other recognised gains losses. There has also been a £700k prior year adjustment to 11/12 grants to recognise a constructive obligation to pay grants in future years. All activities are classed as continuing and all recognised gains and losses have been included in the accounts. *The notes on pages 27 to 44 form part of these accounts.*

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Consolidated and Charity Balance Sheet as at 31 March 2013

		Group 2013	Group 2012	Charity 2013	Charity 2012
	Note	£'000	£'000	£'000	£'000
Fixed assets					Restated
Charitable property	10	34,076	34,829	34,076	34,829
Other tangible assets	11	1,959	1,544	1,959	1,544
		36,035	36,373	36,035	36,373
Investment property	13	153,422	148,588	153,422	148,588
Quoted investments	14	84,624	77,043	84,624	77,043
		238,046	225,631	238,046	225,631
Investment in subsidiary	6	-	-	-	-
Total fixed assets		274,081	262,004	274,081	262,004
Current assets					
Debtors	15	2,725	3,138	3,114	3,312
Stock	30	57	57	56	56
Short term deposits	16	2,671	1,519	2,671	1,519
Cash at bank and in hand	16	4,177	6,578	3,680	6,400
		9,630	11,292	9,521	11,287
Current liabilities (amounts falling due within one year)	17	(5,799)	(3,823)	(5,690)	(3,818)
Net current assets		3,831	7,469	3,831	7,469
Liabilities (amounts falling due after more than one year)	17	(563)	(696)	(563)	(696)
Net assets excluding pension liability		277,349	268,777	277,349	268,777
Pension provision	18	(20,509)	(19,705)	(20,509)	(19,705)
Net assets including pension liability		256,840	249,072	256,840	249,072
Funds					
Unrestricted funds	22	256,300	248,538	256,300	248,538
Share Capital	6	0	0	0	-
Restricted funds	22	540	534	540	534
		256,840	249,072	256,840	249,072

The notes on pages 27 to 44 form part of these accounts.

The balance sheet of 31.3.12 has been restated as it has now been recognised that the Hospital's pledge in September 11 to contribute a total of £900k to the replacement of TS Royalist was a constructive obligation and the £700k balance of grant due up to the project completing in 2019 should be recognised in the year the commitment was made.

This has the impact of increasing current creditors at 31.3.13 by £50k, increasing creditors due in more than one year by £650k and reducing unrestricted funds by £700k.

The balance sheet also now reflects RHS maintenance stock which was previously expensed.

Greenwich Hospital

Consolidated and Charity Cash Flow for the year ended 31 March 2013

		Group	Group	Charity	Charity
	Note	2012-13	2011-12	2012-13	Restated
		£'000	£'000	£'000	2011-12
					£'000
Net cash flow from operating activities					
Net incoming resources		(943)	411	(943)	411
Interest on Pension Liability	18	949	927	949	927
Movement of pension liability during the year	18	142	(127)	142	(127)
Depreciation		1,348	1,349	1,348	1,349
Interest on finance lease		11	7	11	7
(Profit)/loss on sale of tangible fixed assets		8	(2)	8	(2)
(Increase)/decrease in debtors	15	413	(467)	198	(527)
(Increase)/Decrease in Stock		-	(1)	-	(1)
Increase in creditors	17	1,784	1,065	1,680	1,073
		3,712	3,162	3,393	3,110
Returns of investments and servicing of finance					
Interest element of finance lease payments		(11)	(7)	(11)	(7)
Charitable capital expenditure					
Payments to acquire or improve property	10	(179)	(47)	(179)	(47)
Payments to acquire other tangible fixed assets	11	(732)	(220)	(732)	(220)
Receipts from sale of other tangible fixed assets		22	6	22	6
		(889)	(261)	(889)	(261)
Non charitable capital expenditure and financial investment					
Payments to acquire or improve property	13	(6,447)	(1,637)	(6,447)	(1,637)
Receipts from sale of property and other capital receipts		582	231	582	231
Payments to acquire investments	14	(18,686)	(83,585)	(18,686)	(83,585)
Receipts from sale of investments		20,560	83,186	20,560	83,186
		(3,991)	(1,805)	(3,991)	(1,805)
Financing					
Capital element of finance lease payments		(70)	(42)	(70)	(42)
Movement in liquid resources					
		(1,249)	1,047	(1,568)	995
Increase/(Decrease) in short term deposits	16	1,152	7	1,152	7
Increase/(Decrease) in cash	16	(2,401)	1,040	(2,720)	988
		(1,249)	1,047	(1,568)	995

The previous year has been restated following a reclassification of interest on Pension Liability so it is included in net incoming resources rather than other recognised gains losses. There has also been a £700k prior year adjustment to grants in 2011/12 to recognise a constructive obligation to pay grant in future years.

The interest on the pension liability is now included in the net cash flow from operating activities reducing it by £927k in 2011/12. It is subsequently added back in a separate line in the cash flow as it is a non cash item.

The £700k constructive obligation to pay grants in future years resulted in an increase in current creditors in 2011/12 of £50k and an increase in creditors due in more than one year in 2011/12 of £650k. There was also a reduction of £700k in net incoming resources for 2011/12. In 2012/13 for the same grant the current year creditor is £150k the amount we anticipate paying in 2013/14 and the £500k remains in long term creditors.

The notes on pages 27 to 44 form part of these accounts.

Greenwich Hospital

Notes to the Accounts for the year ended 31 March 2013

1 Accounting policies

a Basis of accounting

The accounts have been prepared under the historical cost convention as modified below. Due to the charitable nature of the majority of the Hospital's activities, the accounts have been prepared to materially comply with the underlying principles of the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005).

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

Disclosure of relationships with key stakeholders.

Note 6 to the accounts discloses the results for the Royal Hospital School Enterprises Limited. As the subsidiary has grown the results are now material and we have consolidated the results for this years accounts.

b 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 2013 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.

c Heritage Assets

Works of art and artefacts have been acquired historically through bequest and gift. The Hospital does not currently seek to acquire art works or artefacts. Its disposal policy is that items may be considered for disposal where this would be to the exclusive benefit of the charitable aims of the Hospital. Where such items may be of national, historic or cultural significance, disposal would be reviewed.

The majority of the Hospital's heritage assets are on permanent loan to the National Maritime Museum (NMM). There is a formal deed of agreement between GH and the NMM dated 23 April 1936, which provides for the loan of specified items from the Greenwich Hospital Collection to the NMM and for the NMM to be fully responsible for their care. These include many which are of great national heritage significance or subject to specific bequests, which would in many cases inhibit or prevent their disposal on the open marketplace. Greenwich Hospital does not hold any substantial risks or rewards of ownership from this collection.

In addition, the Hospital holds some other heritage assets. A valuation was made by professional valuers (Sotheby's) covering the whole of the Hospital's collection in 2001. As 96% by value of the assets are on loan, the Hospital considers the remainder of the assets to be immaterial. The valuation is considered unreliable because of its age and the Hospital considers that the cost to revalue these assets would be onerous compared with the additional benefits derived by the Hospital and users of the accounts. As a result no value has been recognised for these assets in the Hospital's Balance Sheet. The Hospital's management policy in respect of its heritage assets is summarised in note 12.

d Fixed assets investments

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

The fair values of quoted investments are based on externally reported bid prices at the Balance Sheet date.

Transaction costs or management support costs are not included in valuations. They are charged to expenditure in the period in which they are incurred.

e Recognition of incoming and outgoing resources

Income is recognised in the period in which it is receivable. Rental increases arising as a result of rent reviews and lease negotiations are not recognised until negotiations are completed.

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

Greenwich Hospital

Accounting policies (continued)

f Leases

Premiums paid to acquire an interest in property, including lease surrenders, are recorded as capital expenditure on completion.

Premiums received upon the granting of a lease or variation of lease terms in favour of a tenant are recorded as capital receipts.

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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

g Gains and losses

In compliance with SORP 2005, surpluses and deficits on realisation of Quoted Investment assets are calculated as the difference between the sale price and the latest market valuation at the end of each month or cost if purchased during the last month of the financial year.

h Cash and bank

The Hospital maintains a bank account with the Government Banking Service, through Citigroup, in accordance with the provisions of the Greenwich Hospital Act 1865 and also maintains a number of current and deposit accounts with HSBC Bank plc.

i Payments

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

j Depreciation

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

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

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

k Pension schemes

Greenwich Hospital operates an unfunded, defined benefit, contracted out non-contributory pension scheme to provide retirement and related benefits to all eligible employees who joined the Hospital up to June 2011. 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.

As from July 2011 Greenwich Hospital has offered a defined contribution scheme to all new staff. This is a money-purchase scheme and all deductions paid to the scheme provider are non refundable.

Teaching staff at the Royal Hospital School are members of the Teachers' Superannuation Scheme, the nature of this scheme is set out in note 18.

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.

j Volunteers and related parties

There is no volunteer time that requires quantifying within these financial statements. The Governors of the Royal Hospital School and Directors of the Royal Hospital School Enterprises Limited (RHSEL) and members of the Advisory Board and Panel all gave their services voluntarily and received no remuneration for their activities with the Hospital.

Greenwich Hospital

2 Summary of resources for the year ended 31 March 2013

We have included this page to provide the reader of the accounts with more information about the Hospital's activities. This reflects our net income and charitable activities separately. Income and expenditure are reported gross and recognised in the Statement of Financial Activities on page 24 of these accounts.

	Note	Group 2012-13 £'000	Group 2011-12 £'000
Incoming resources			
Net income from property	3	4,380	4,405
Net income from investments	4	3,539	4,021
Bank interest receivable		10	18
Other income		-	9
Total incoming resources		7,929	8,453
Resources expended			
Net Royal Hospital School expenses	5	3,705	2,900
Net sheltered housing expenses		94	82
Grants, pensions and donations	7	2,908	3,502
Total Resources Expended		6,707	6,484
Net Incoming Resources			
		1,222	1,969
Interest on pension liabilities	18	949	927
Headquarters administration costs	8	1,216	1,008
Derecognition of liability	17	-	(377)
Net incoming resources before transfers and other recognised gains and losses			
		(943)	411
Gain/(loss) on realisation of assets			
Investment properties		197	46
Quoted investments		74	411
Gain/(loss) on revaluation of assets			
Investment properties	13	(1,228)	8,606
Quoted investments	14	9,381	(192)
Other recognised gains/(losses)			
Actuarial gain/(loss) on pension scheme	18	287	(1,981)
Net movement in funds			
		7,768	7,301
Balance at 1 April 2012		249,072	241,771
Total fund balances at 31 March 2013		256,840	249,072

Greenwich Hospital

3 Net rental income

	Income £'000	Expenditure £'000	Surplus 2012-13 £'000	Surplus 2011-12 £'000
Greenwich estate	5,065	2,197	2,868	2,786
Northern estates	659	304	355	302
Holbrook estate	183	78	105	66
Nicholas Lane	118	3	115	118
Pollen estate	874	30	844	1,036
Property unit trust	102	9	93	97
Total	7,001	2,621	4,380	4,405

4 Income from investments

	2012-13 £'000	2011-12 £'000
UK equities	1,434	2,062
Overseas investments	1,599	1,450
Reade Accumulation fund	110	115
Fixed interest	581	634
Cash instruments	113	-
Total income from investments	3,837	4,261
Less: Investment manager's fees	(298)	(240)
Net income from investments	3,539	4,021

5 Royal Hospital School

	Note	2012-13	2011-12 Restated
Income			
School fees		12,578	12,783
Incidental charges & other Income		252	281
Internal Donation Greenwich Hospital		449	0
Supplementary income		66	52
Income from lettings and hire of facilities		97	68
Less: Bursaries paid by Greenwich Hospital		(2,340)	(2,683)
Less: Internal Donation Greenwich Hospital		(449)	0
		10,653	10,501
Restricted funds		715	707
		11,368	11,208
Gift aid donation from Royal Hospital School Enterprises Limited	6	375	190
		11,743	11,398
Expenditure			
Staff Costs		8,603	8,155
Academic		1,701	1,590
Premises and facilities		2,016	1,905
Administration		1,220	772
Depreciation		1,192	1,191
Restricted funds		709	633
Supplementary expenses		0	52
Loss on disposal		7	-
		15,448	14,298
Excess of expenditure over external income		3,705	2,900
Excess of expenditure over income RHS including HQ bursaries and grants		916	217

Supplementary income comprises monies paid by parents for sundry expenses incurred by or on behalf of pupils, which are reflected in supplementary expenses. Expenditure has been restated to reflect the capitalisation of maintainance stocks previously shown as premises expenditure.

Greenwich Hospital

6 Royal Hospital School Enterprises Limited

Royal Hospital School Enterprises Limited was incorporated on 31 March 2008 to take over the non-charitable activities of the Royal Hospital School with effect from 1 April 2008. The company is limited by shares and incorporated in England and Wales. Its share capital is wholly owned by the Trustee of the Hospital and as a result it is a subsidiary of the Hospital.

The company's profits are transferred under gift aid rules to the Hospital. A summary of the accounts is as follows:

	Note	2012-13 £'000	2011-12 £'000
Income			
Summer lettings		414	224
Catering income		21	19
Income from hire of facilities		104	44
Other income		5	7
		<u>544</u>	<u>294</u>
Expenditure			
Catering costs		23	16
Summer letting catering costs		122	82
Lettings Costs ISIS		15	-
Accountancy		1	2
Audit fees		2	2
Administration		6	2
		<u>169</u>	<u>104</u>
Gift aid donation	5	375	190
		<u>0</u>	<u>0</u>
Surplus for the period			
Cash		497	178
Debtors		4	15
Stock		1	1
Creditors: amounts falling due within one year		(502)	(194)
		<u>0</u>	<u>0</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>0</u>	<u>0</u>

Total assets less current liabilities are £1 and below the £1k rounding threshold.

Greenwich Hospital

7 Grants, annuities and donations	2012-13 £'000	2011-12 £'000 Restated
Assistance to RNRMC, other Naval charities and Tri Service charities		
RNRMC Naval and Tri Service Charities	756	536
RNRMC CEO Salary and legal fees	8	109
	0	-
Jellicoe Annuities	998	936
Assistance to Independent naval charities		
Royal Naval Benevolent Trust (RNBT)	459	416
Royal Navy & Royal Marines Children's Fund (RN&RMCF)	530	550
Royal Sailors' Rests (RSR)	50	50
Women's Royal Naval Service Benevolent Trust (WRNSBT)	86	82
Miscellaneous grants and donations		
Sea Cadets	1	800
Educational Grants	20	22
Other Donations		1
	2,908	3,502

The table below shows the value of grants made both via the RNRMC and directly in 2012/13.

11/12 has been restated as it has now been recognised that the Hospitals pledge in September 11 to contribute a total of £900k to the replacement of TS Royalist was a constructive obligation and the £700k balance of grant due upto the project completing in 2019 should be recognised in the year the commitment was made.

£

Jellicoe Pensions RNBT	998,400
Pembroke House RNBT	85,673
Royal Navy Benevolent Trust RNBT	373,741
RNRMC*	128,152
Combat Stress	100,000
Scottish Veterans Residences	100,000
Women's Royal Naval Service Benevolent Trust	86,004
Sailors Families Society	69,000
Royal Navy & Royal Marines Children's Fund	530,000
SSAFA Forces Help	60,000
Regular Forces Employment Agency	50,726
Royal Sailors Rest	50,000
Royal Alfred Seafarers	38,500
Queen Alexandra Hospital Home	34,400
Veterans Aid	30,000
Not Forgotten Association	30,000
Erskine	30,000
St Dunstan's	25,000
Alabare Christian Care	20,000
Royal Star & Garter	15,000
Stoll	10,000
RNRMC*	10,000
HCPT	5,520
Herne Bay Sea Cadets	50
Sea Cadets	250
	<u>2,880,416</u>
Educational Grants	19,500
Legal Fees	7,945
	<u>2,907,861</u>

*These grants were made for specific charities and funds. The grants have been paid to RNRMC which as at 31st March was holding the grants pending the recipients fulfilling grant criteria.

A further £50,000 was paid to the Marine and Sea Cadet Society for the replacement of TS Royalist.

The full commitment to this project has now been recognised in prior year accounts and is therefore not included in 12/13 resources expended.

Greenwich Hospital

8 Headquarters administration	2012-13	2011-12
	£'000	£'000
Salaries	724	623
Audit fee	35	32
Professional, legal and consultancy fees	160	129
Depreciation	25	26
Office rent & expenses	272	198
	<u>1,216</u>	<u>1,008</u>

Support cost allocation

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

Objective	Basis of allocation	Cost of generating funds £'000	Education £'000	Sheltered Housing £'000	Grants and Bursaries £'000	Governance £'000	Total 2012-13 £'000
Salaries	Staff time	320	265	21	118	-	724
Audit fee	Activity	-	-	-	-	35	35
Professional fees	Activity	77	59	-	-	24	160
Depreciation	Staff time	12	9	1	3	-	25
Office expenses	Staff time	136	93	10	33	-	272
Total at 31 March 2013		<u>545</u>	<u>426</u>	<u>32</u>	<u>154</u>	<u>59</u>	<u>1,216</u>
Total at 1 April 2012		<u>477</u>	<u>315</u>	<u>43</u>	<u>102</u>	<u>71</u>	<u>1,008</u>

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

Greenwich Hospital

9 Staff costs	2012-13	2011-12
	£'000	£'000
Salaries and wages	7,418	7,071
Social security costs	594	553
Pension costs	1,315	1,154
	9,327	8,778

Composed of:

Royal Hospital School	8,603	8,155
Headquarters administration	724	623
	9,327	8,778

Staff costs have been restated to show staff directly managed by Greenwich Hospital.

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

	2012-13	2011-12
£60,000 to £69,999	12	11
£70,000 to £79,999	2	4
£100,000 to £109,999	1	1
£120,000 to £129,999	1	1

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

Royal Hospital School	220	206
Headquarters administration	12	13
	232	219

The remuneration of the Directors of the Hospital were as follows:

	Hugh Player	Martin Sands	Total	Total
	24/09/12- 31/03/12	01/04/12- 21/09/12	2012-13	2011-12
	£	£	£	£
Salary	52,270	71,904	124,174	70,987
Employer's pension cost	3,825	8,351	12,176	15,475
	56,095	80,255	136,350	86,462

Directors are entitled to pension benefits under the Hospital's Pension schemes (see note 1). Salaries are at amounts received not annual equivalents.

Greenwich Hospital does not operate a formal bonus scheme, awarding bonuses is entirely at the discretion of the Hospital and such awards do not imply any entitlement in respect of future years. Neither Director received any bonus for the year ending 31 March 2013. Upon retirement Martin Sands received a £35,500 ex gratia payment which is included in the salary figure above.

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

Greenwich Hospital

10 Charitable property

	Royal Hospital School £'000	Sheltered Housing £'000	Total £'000
Cost at 1 April 2012	35,975	6,729	42,704
Additions	179	-	179
Cost at 31 March	<u>36,154</u>	<u>6,729</u>	<u>42,883</u>
Depreciation at 1 April	6,435	1,440	7,875
Charge for the year	816	116	932
Depreciation at 31 March	<u>7,251</u>	<u>1,556</u>	<u>8,807</u>
Net book value at 31 March 2013	<u>28,903</u>	<u>5,173</u>	<u>34,076</u>
Net book value at 31 March 2012	<u>29,540</u>	<u>5,289</u>	<u>34,829</u>

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

11 Other tangible assets

	Motor vehicles £'000	Plant and machinery £'000	Furniture, Fixtures and Fittings £'000	Educational equipment £'000	Computer and network equipment £'000	Total £'000
Cost at 1 April	253	2,166	327	397	842	3,985
Additions	16	139	122	52	533	862
Disposals	(38)	(35)	(93)	(32)	(230)	(428)
Cost at 31 March	<u>231</u>	<u>2,270</u>	<u>356</u>	<u>417</u>	<u>1,145</u>	<u>4,419</u>
Depreciation at 1 April	140	1,243	243	340	475	2,441
Charge for the Year	22	184	31	41	140	418
Released on Disposal	(28)	(19)	(93)	(32)	(227)	(399)
Depreciation at 31 March	<u>134</u>	<u>1,408</u>	<u>181</u>	<u>349</u>	<u>388</u>	<u>2,460</u>
Net Book Value at 31 March 2013	<u>97</u>	<u>862</u>	<u>175</u>	<u>68</u>	<u>757</u>	<u>1,959</u>
Net Book Value at 31 March 2012	<u>113</u>	<u>923</u>	<u>84</u>	<u>57</u>	<u>367</u>	<u>1,544</u>

Included in the above is computer equipment with a net book value at 31 March 2013 of £147,352 (2011-2012 £100,754) held under finance leases. The depreciation charge for the year on these assets was £74,995.

Included within Computer and network additions is ICT equipment of £355,110 which has not been depreciated. The IT project to which the £355,110 relates was not completed, as at 31 st March 2013.

Greenwich Hospital

12 Heritage assets not recognised in the balance sheet

The Hospital owns over 700 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 FRS30, these assets are not capitalised because the Hospital does not hold any substantial risks and rewards of ownership from this collection.

There have been no acquisitions or disposals of heritage assets during the last five years.

Our heritage assets can be split by number and location into the following asset classes:

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

Collectors items include arms, armour, tribal art, medals and measures and the Naval officer's uniform worn by Nelson when he was killed at the Battle of Trafalgar.

Items of note include The Battle of Trafalgar, 21 October 1805, by Joseph MW Turner on loan to NMM, valued in 2001 at £40m.

The collection of furniture at the Royal Pavilion, Brighton is valued at £6m. These are also on permanent loan and Greenwich Hospital does not hold the risks and rewards of ownership.

13 Investment property

	Greenwich Estate £'000	Northern Estates £'000	Holbrook Estate £'000	Nicholas Lane Ldn £'000	Pollen Estate £'000	Property Unit Trust £'000	Total £'000
Valuation at 1st April 2012	84,760	25,549	6,400	2,200	27,253	2,426	148,588
Additions	5,825	592	30	-	-	-	6,447
Disposals	(230)	(155)	-	-	-	-	(385)
Regeneration Fees Written Off	(4,327)	-	-	-	-	-	(4,327)
Revaluation	(900)	413	181	100	3,422	(117)	3,099
Valuation at 31 March 2013	<u>85,128</u>	<u>26,399</u>	<u>6,611</u>	<u>2,300</u>	<u>30,675</u>	<u>2,309</u>	<u>153,422</u>

The Hospital's Advisory Panel considers that because the holding in Schroder's Exempt Property Unit Trust is managed as an investment in property it should be included in Investment Property rather than Investments. Our Investment was sold in April 2013.

Greenwich Hospital

13 Investment property (continued)

At 31 March 2013, the Hospital held a 10.2277% 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 2012 and this has been used as the basis for the value of the Hospital's interest in the estate as at 31 March 2013.

Other investment property comprises freehold land and buildings and is shown at market value as at 31 March 2013, as approved by the Director based upon valuations provided by the appointed Chartered Surveyors for the estates the property agents Smiths Gore provided a valuation of the Northern Estates and Strutt & Parker provided a valuation of the Holbrook Estate. Capita Symonds Real Estate provided a valuation of the Greenwich Estate and 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 and did so on a professional basis.

In addition to the above items, Greenwich Hospital also owns the Old Royal Naval College, the Dreadnaught Seamen's Hospital and Devonport Nurses Home. These buildings are 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). Due to the nature of these assets and the terms on which they are occupied, their value is considered to be nominal. Greenwich Hospital also owns the King William Pier (known as Greenwich Pier). This structure is classed as an investment property as it is currently being occupied by another organisation under an operating lease lasting for 999 years from 2010. No value has been ascribed to this asset in these accounts.

Greenwich Hospital also owns Bellot Memorial Gardens. Greenwich Council did not renew its lease in 2009 and the cost of maintaining the existing memorial, garden and sea wall railings has reverted to the Hospital. No alternative uses or potential to create an income have been identified. The value of this interest could be negative subject to detailed information regarding any positive repairing liability upon the land. Due to this no value has been ascribed to the asset in these accounts.

14 Quoted investments - Available for sale financial assets

	2012-13 £'000	2011-12 £'000
Market value at 1 April 2012	77,043	76,425
Additions at cost	18,686	83,585
Value of investments sold	(20,486)	(82,775)
Unrealised gain on revaluation	9,381	(192)
Market value at 31 March 2013	84,624	77,043
	Market value	Market value
	2012-13	2011-12
	£'000	£'000
UK Equity Funds	27,875	24,250
Global/International Equity Funds	33,743	30,359
Global/International Bond Funds	9,794	19,362
Cash Funds Newton	-	264
Reade Accumulation Fund	2,524	2,808
	73,936	77,043

Greenwich Hospital

15 Debtors: Amounts falling due within one year	Group	Group	Charity	Charity
	2012-13 £'000	2011-12 £'000	2012-13 £'000	2011-12 £'000
School fees receivable	100	143	100	143
Rents receivable	842	1,270	842	1,270
Other debtors	1,463	1,444	1,459	1,428
Amounts due from subsidiary	-	-	393	190
Prepayments	320	281	320	281
	2,725	3,138	3,114	3,312

No material balances are held with government bodies

16 Reconciliation of increase in cash to movement in net funds

	Group	Group	Charity	Charity
	2012-13 £'000	2011-12 £'000	2012-13 £'000	2011-12 £'000
Increase/(Decrease) in short term deposits in the period	1,152	7	1,152	7
Increase in cash in the period	(2,401)	1,166	(2,720)	988
Change in net funds resulting from cash flows	(1,249)	1,173	(1,568)	995
Net funds at 1 April 2012	8,097	6,924	7,919	6,924
Net funds at 31 March 2013	6,848	8,097	6,351	7,919

Analysis of net funds	Charity	Charity	Charity
	As at 31 March 2012 £'000	Cash flow £'000	As at 31 March 2013 £'000
Short term deposits	1,519	1,152	2,671
Government Banking - Citibank	1,768	(570)	1,198
Other accounts and cash in hand	4,630	(2,154)	2,476
Capital and income accounts with Newton	2	4	6
	7,919	(1,568)	6,351
	Group	Group	Group
	As at 31 March 2012 £'000	Cash Flow £'000	As at 31 March 2013 £'000
Short term deposits	1,519	1,152	2,671
Government Banking - Citibank	1,768	(570)	1,198
Other accounts and cash in hand	4,808	(1,835)	2,973
Capital and income accounts with Newton	2	4	6
	8,097	(1,249)	6,848

Greenwich Hospital

17 Creditors	Group	Group	Charity	Charity
	2012-13 £'000	2011-12 £'000	2012-13 £'000	2011-12 £'000
Amounts falling due within one year				Restated
Trade creditors	737	325	737	325
School fees and related amounts received in advance	260	259	260	259
Rents received in advance	602	658	602	658
Other creditors	3,606	1,988	3,497	1,983
Obligations under finance leases	84	42	84	42
Accruals	510	551	510	551
	5,799	3,823	5,690	3,818
Amounts falling due after one year				
Obligations under finance leases	63	46	63	46
Sea Cadets Grant	500	650	500	650
	6,362	4,519	6,253	4,514

No material balances are held with other government bodies

Greenwich Hospital recognised a creditor of £376,691 relating to an unanticipated payment that was made for pension costs on its behalf by the Armed Forces Pension Service in 2004-05 and 2005-06. Greenwich Hospital wrote off this creditor for the 2011-12 accounts as it was no longer required.

The 11/12 creditors are restated to show a £700k constructive obligation committed to the Marine Society and Sea Cadets which was made in September 2011 when we pledged multi year funding for the replacement of TS Royalist which will complete in 2019.

18 Pension provision

Pension benefits to Greenwich Hospital staff have historically been provided through schemes analogous to Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefits schemes; either a 'final salary' scheme (classic, premium, or classic plus) or a 'whole career' scheme (nuvos). Classic, premium and classic plus are now closed to new members. These statutory arrangements are unfunded with the cost of benefits met by Greenwich Hospital's cash flow each year. Pensions payable under nuvos, classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account). Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service; in addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in Premium. In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with CPI. In all cases members may opt to give up (commute) pension for a lump sum. These schemes are now closed to new members but the Hospital still has 448 members in the schemes of which 129 are current employees. A full actuarial valuation of the liability was carried out as at 31 March 2013 by First Actuarial plc and a provision is included in the balance sheet.

	2012-13 £'000	2011-12 £'000
Balance at 1 April 2012	19,705	16,924
Employee transfer of benefit	-	-
Increase/(Decrease) in provision	804	2,781
Balance at 31 March 2013	20,509	19,705

The major assumptions made by the actuary are as follows and have regard to the yields available on corporate bonds for assessing the potential investment return and the relative yields on fixed and inflation linked bonds for assessing inflation. The adoption of different assumptions would result in a different set of calculations and a different liability. The actuary also noted some uncertainties in the accuracy of the membership data used to calculate the liability.

	2012-13	2011-12
Discount rate	4.50%	4.80%
Rate of increase in inflation (CPI)	2.60%	2.10%
Rate of increase in salaries	3.00%	4.60%
Rate of increase of pensions in payment	2.60%	2.80%
Rate of increase for deferred pensioners	2.60%	2.10%

Greenwich Hospital

18 Pension Provision (continued)

Analysis of the amounts that have been charged to the SOFA

Amount that has been charged to operating expenditure - Current service cost	(666)	(485)
Amount that has been debited to other financial costs - Interest on liabilities	(949)	(927)

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

Actuarial gain/(loss) recognised in SOFA	287	(1,981)
--	------------	----------------

Movement of liability during the year

	2012-13	2011-12
	£'000	£'000
Liability at beginning of the year	19,705	16,924
Current service cost	666	485
Pension payments made during the year	(624)	(692)
Employees' contributions	100	80
Interest on Liabilities	949	927
Actuarial gain/(loss)	(287)	1,981
Liability at end of the year	<u>20,509</u>	<u>19,705</u>

History of liability	2012-13	2011-12	2010-11	2009-10	2008-09
	£'000	£'000	£'000	£'000	£'000
Value of scheme liability	20,509	19,705	16,924	18,512	15,477

Since July 2011 the Hospital has offered defined contribution schemes to all new employees (except teachers at the Royal Hospital School). The schemes have been money-purchases scheme and all deductions paid to the scheme provider are non refundable. The employer's contributions were a cash cost to the Hospital for the period. For 2012-13 employer's contributions of £24,714 were paid. No payments were 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. For 2012-13 employer's contributions of £621,200 were payable to the Scheme (2011-12: £621,581).

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. Consequently, a formal actuarial valuation would have been due as at 31 March 2008 but was suspended on value for money grounds. HM Treasury announced in November 2012 that full valuations would be reinstated using membership data as at 31 March 2012. These are due to be completed at the end of December 2013.

Greenwich Hospital

19 Obligations under finance leases	2012-13	2011-12
	£'000	£'000
Gross obligations repayable:		
within one year	90	49
in the second to fifth years	64	48
	154	97
Finance charges repayable:		
within one year	6	7
in the second to fifth years	1	2
	7	9
Net obligations repayable:		
within one year	84	42
in the second to fifth years	63	46
	147	88

20 Operating lease commitments	Land and buildings	Plant and machinery	Land and buildings	Plant and machinery
	2012-13	2012-13	2011-12	2011-12
	£'000	£'000	£'000	£'000
Operating leases				
within one year	28	40	104	160
in the second to fifth years	554	130	-	170
over five years	637		-	-
	1,219	170	104	330

The previous year property operating lease related to our office at Creed Court. The lease was terminated in December 2012. In 12/13 there is an operating lease for the office at 1 Farringdon St.

Greenwich Hospital

21 Operating leases as lessor	2012-13	2011-12
	£'000	£'000
		Restated
Investment property		
The value of Investment property held for use in operating leases	120,438	118,909
In accordance with our policy on Investment property, no depreciation was charged.	-	-
The aggregate operating lease rentals receivable in respect of accounting period were	6,025	5,921
Charitable property		
The value of Charitable property held for use in operating leases was	5,173	5,289
Depreciation charged in year on these assets was	116	116
The aggregate operating lease rentals receivable in respect of accounting period were	482	449*
*This figure has been revised from the 2011-12 published accounts.		

22 Analysis of funds

	Accumulated fund	Property revaluation	Investments revaluation	Total funds
	£'000	£'000	£'000	£'000
Analysis of unrestricted fund movement				
Balance as at 1 April 2012 Restated	125,328	122,092	1,118	248,538
Net incoming resources	(949)	-	-	(949)
Gains on sale of investments	271	-	-	271
Revaluations	-	3,099	9,381	12,480
Regeneration Fees Written Off	-	(4,327)	-	(4,327)
Revaluation reserves realised on sales	305	(385)	80	-
Movement in pension provision	287	-	-	287
Balance as at 31 March 2013	125,242	120,479	10,579	256,300
	Balance at 31 March 2012	Incoming resources	Resources expended	Balance at 31 March 2013
Analysis of restricted fund movement	£'000	£'000	£'000	£'000
Houses, clubs and societies	148	608	620	136
Amenities fund	9	52	49	12
Bursary fund	282	4	-	286
Make music appeal	25	-	8	17
General	70	51	32	89
	534.00	715	709	540

All restricted funds are cash.

Greenwich Hospital

23 Capital commitments

As at 31 March 2013 Greenwich Hospital was contractually committed to a new residential scheme of 4 houses and 3 flats at Old Woolwich Rd in Greenwich. The total contract sum is £1.4m of which £991K will be incurred after the year end.

24 Grant commitments

In March 2013, the Hospital agreed to make money available out of income for 2013-14 for the payment of Jellicoe annuities of £998k. The Hospital also agreed to pay bursaries for the academic year September 2013 to July 2014 which were approved for the 2013-14 financial year. These will be recognised in the 2014 financial statements. £650k has been accrued in the accounts for grants to the Marine Society and Sea Cadets as a contribution to the building of a new training Ship. It is anticipated that £150k will be paid in 13/14 whilst the remainder will be paid at £100,000 a year until 2019.

25 Contingent liabilities

The Hospital had no contingent liabilities at year end.

26 Related party transactions

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

The Royal Navy Royal Marines Charity (RNRMC) is considered a related party due to the fact that Mr H Twiss was both a member of the Advisory Panel and Board of the Hospital and also a Trustee of the RNRMC. Greenwich Hospital undertakes part of its charitable activity, by issuing grants to the RNRMC for further distribution to Naval Charities. This arrangement is governed by a non binding Memorandum of Understanding. During 2012-13 £2,887k (2011-12: £2,679k) 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 Director of Resources chaired the Advisory Panel and was vice chairman of the Advisory Board from Dec 2012-13, and is part of the reporting line for Greenwich Hospital's Director to the Secretary of State for Defence. She is married to Greenwich Hospital's Finance & Investment Director whose remuneration in 2012-13 was £73k (2011-12 £72k), and is included in the higher paid employees disclosure in note 9. The Finance and Investment Director is a direct report of the Director of Greenwich Hospital. Prior to December 2012 the Director of Resources and Advisory Board and Advisory Panel responsibilities had been delegated to Royal Navy Deputy Command Secretary.

The Ministry of Defence is regarded as a related party and during the year has been reimbursed £14,570 for related costs of staff seconded to Greenwich Hospital.

The Royal Hospital School Enterprises Limited company is a subsidiary of the Hospital - see note 6.

Travers Foundation is considered a related party to Greenwich Hospital. Under the Armed Forces Act 1976, all funds of Travers Foundation are allowed to be used for the benefit of Greenwich Hospital. All cash funds are transferred to Greenwich Hospital for its exclusive use, but with the anticipation that Greenwich Hospital will finance any expenditure that Travers Foundation cannot fund through its ongoing activities. As such, the net amount transferred to Greenwich Hospital has been recorded as a creditor in these accounts.

Greenwich Hospital

28 Financial instruments

FRS 29, Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Financial instruments include 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 2012-13 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 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.

29 Post balance sheet events

These financial statements were authorised for issue, on the date given on the Comptroller and Auditor General's Report, by the Director of Greenwich Hospital as its Accounting Officer.

Since the end of the financial year the Hospital has sold its holding in the Schroder's Property Fund.

In June 2013 the Court of Appeal overturned a ruling that denied charities relief from Stamp Duty Land Tax when property is bought together with a non charity. The Hospital will now be entitled to relief on SDLT on Pollen Estate properties. A backdated payment of over £400k is expected.

Royal Borough of Greenwich Destination Management Company CIC was registered in June 2013. The Company exists to improve and expand the marketing of Greenwich as a tourist destination both locally and nationally. Greenwich Hospital is the freeholder of the historic Greenwich Hospital site (now known as the Old Royal Navy College and occupied mainly by Greenwich University), Greenwich Market and the adjacent residential and commercial property. The Director of Greenwich Hospital is a Director of Greenwich Destination Management Company. The Directors have limited liability of £1.

30 Stocks

	Group		charity	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012
	£'000	£'000	£'000	£'000
RHS Maintenance Consumable Stores	56	56	56	56
RHSEL Consumable Stores	1	1		
	<hr/>	<hr/>	<hr/>	<hr/>
	57	57	56	56

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 Admiralty Board for the proper and effective conduct of the functions of Greenwich Hospital including the regularity and propriety of the Hospital's administration adhering faithfully to the spirit of the Charter and complying with the relevant statutes.

The Director is the accounting officer for Greenwich Hospital and is responsible for preparing the Annual Accounts for Travers Foundation and submitting them for audit. The Annual Accounts of the Travers Foundation are to be kept separate from those of Greenwich Hospital in accordance with Section 21 (3) of the Armed Forces Act 1976. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Travers Foundation and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

Governance Statement

Scope of responsibility

The Travers Foundation was originally established in 1725 by the will of Samuel Travers, for the payment of pensions to retired Lieutenants of the Royal Navy. The assets of the Foundation were transferred to the Admiralty by the Naval Knights of Windsor (Dissolution) Act 1892 and from them to the Secretary of State by the Defence (Transfer of Functions) Act 1964.

Since 1892 the Travers Foundation has been administered by Greenwich Hospital. In accordance with Section 21 of the Armed Forces Act 1976, the Foundation's Accounts are shown separately from those of the Hospital; although no Travers pensions are currently paid. By virtue of the Armed Forces Act 1976, the assets of the Foundation are treated as the property of Greenwich Hospital and the income can be applied for the general purposes of the Hospital.

As the Director of Greenwich Hospital and its Accounting Officer, I am responsible to the Secretary of State for Defence (SofS) in his capacity as the sole trustee of the Hospital, for

- maintaining an effective system of internal control that supports the achievement of the policies, aims and objectives of the Travers Foundation;
- safeguarding the funds and assets of the Travers Foundation;
- the regularity and propriety of the administration and expenditure of the Travers Foundation in accordance with the objects of the Foundation and the provisions of the relevant Acts of Parliament.

The Travers Foundation is therefore administered by Greenwich Hospital in accordance with the Hospital's principles and standards of governance, which are set out in Greenwich Hospital's Governance Statement on page 18 of these accounts.

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 for the Travers Foundation.

Hugh Player
Director of Greenwich Hospital

16 October 2013

Travers Foundation

Audit Report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements of the Travers Foundation for the year ended 31 March 2013 under the Armed Forces Act 1976. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Trustees/Board, Accounting Officer and auditor

As explained more fully in the Statement of Trustee's and Director's responsibility, the Trustee and the Director are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and report on the financial statements in accordance with the Armed Forces Act 1976. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Travers Foundation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Travers Foundation; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of Travers Foundation's affairs as at 31 March 2013 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Armed Forces Act 1976 and accounting policies set out within them.

Opinion on other matters

In my opinion:

- the information given in the 2012-13 Operating Review, the Review of 2012-13 Achievements and Performance and the Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

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

04 November 2013

Travers Foundation

Statement of Financial Activities for the year ended 31 March 2013

	Note	2012-13 £	2011-12 £
Incoming resources			
Investment income			
Property		38,457	35,919
Investments		26,748	28,252
Total incoming resources		65,205	64,171
Resources expended			
Investment costs			
Property		7,199	12,292
Audit fees		2,000	1,000
Total resources expended		9,199	13,292
Net incoming resources before transfers and other recognised gains and losses		56,006	50,879
Other recognised gains/(losses)			
Revaluation of investment properties	2	107,000	49,000
Revaluation of quoted investments	3	108,119	(14,068)
Net movement in funds		271,125	85,811
Total funds brought forward at 1 April 2012	8	3,929,270	3,843,459
Total funds carried forward at 31 March 2013		4,200,395	3,929,270

All activities are classed as continuing.

All recognised gains and losses are shown above.

The notes on pages 50 to 52 form part of these accounts.

Travers Foundation

Balance Sheet as at 31 March 2013

	Note	2013 £	2012 £
Fixed assets			
Investment property	2	3,160,781	3,047,000
Quoted investments	3	<u>865,292</u>	<u>730,101</u>
		4,026,073	3,777,101
Current assets			
Debtors	4	176,282	152,805
Cash at bank and in hand	5	<u>40</u>	<u>364</u>
		176,322	153,169
Current liabilities (amounts falling due within one year)	6	2,000	1,000
Total assets less current liabilities		<u>4,200,395</u>	<u>3,929,270</u>
Funds			
Unrestricted funds	8	<u>4,200,395</u>	<u>3,929,270</u>

The notes on pages 50 to 52 form part of these accounts.

Hugh Player
Director of Greenwich Hospital

16 October 2013

Travers Foundation

Cash Flow Statement for the year ended 31 March 2013

	Note	2012-13 £	2011-12 £
Net cash inflow from operating activities			
Net incoming resources		56,006	50,879
Increase in debtors		(23,477)	(22,627)
Increase in creditors		1,000	-
		<u>33,529</u>	<u>28,252</u>
Investing activities			
Payments to acquire investments	3	(100,072)	(28,000)
Payments to acquire property	2	(6,781)	-
Receipts from sale of investments		73,000	-
		<u>(33,853)</u>	<u>(28,000)</u>
Increase in cash and cash equivalents	5	<u>(324)</u>	<u>252</u>

The notes on pages 50 to 52 form part of these accounts.

Travers Foundation

Notes to the Accounts for the year ended 31 March 2013

1 Accounting policies

a Basis of accounting

The accounts have been prepared under the historical cost convention as modified below. Due to the charitable nature of the majority of activities of Greenwich Hospital and Travers Foundation, the accounts have been prepared to materially comply with the underlying principles of the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005).

The accounts meet the accounting and disclosure requirements of the Companies Act and accounting standards issued or adopted by the Accounting Standards Board, so far as those requirements are considered to be appropriate.

b Recognition of incoming resources

Income is recognised in the period in which it is receivable. Rental increases arising as a result of rent reviews and lease negotiations are not recognised until negotiations are completed.

c Outgoing resources

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

d Tangible and intangible fixed assets

Freehold land and buildings held for investment purposes are shown at market value. The market value as at 31 March 2013 has been approved by the Director based upon valuations provided by the appointed Chartered Surveyors for the estates in line with RICS Red Book standards.

e Fixed assets investments

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

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

f Gains and losses

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

g Cash at bank

Cash held with 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 2013, as approved by the Director based upon valuations provided by Strutt & Parker, Chartered Surveyors of the property in Essex. All of the individuals who undertook valuations have the relevant knowledge, skills, qualifications and understanding to competently value the property. There has been no acquisitions or disposals during the financial year ending 31 March 2013. Property revaluation increased by £107,000 and capitalised fees were £6,781.

3 Quoted investments - Available for sale financial assets	2012-13	2011-12
	£	£
Market value at 1 April 2012	730,101	716,169
Additions at cost	100,072	28,000
Value of investments sold	(73,000)	-
Unrealised gain/(loss) on revaluation	108,119	(14,068)
Market value at 31 March 2013	<u>865,292</u>	<u>730,101</u>

The book cost as at 31 March 2013 was £642,015

4 Debtors	2012-13	2011-12
	£	£
Amounts falling due within one year		
Due from Greenwich Hospital	156,136	133,513
Rents receivable	19,250	19,292
Prepayments	896	-
	<u>176,282</u>	<u>152,805</u>

5 Cash at bank and in hand	As at 31 March 2012	Cash flow	As at 31 March 2013
	£	£	£
Cash at bank and in hand	<u>364</u>	<u>(324)</u>	<u>40</u>

6 Creditors	2012-13	2011-12
	£	£
Amounts falling due within one year		
Accruals	<u>2,000</u>	<u>1,000</u>

7 Operating leases as lessor	2012-13	2011-12
	£	£
The value of investment assets held for use in operating leases	3,160,781	3,047,000
In accordance with our policy on investment assets, no depreciation was charged.	-	-
The aggregate operating lease rentals receivable in respect of accounting period were	38,457	35,919

Travers Foundation

8 Analysis of funds	2012-13	2011-12
	£	£
Analysis of unrestricted fund movement		
Balance at 1 April	3,929,270	3,843,459
Net incoming resources	56,006	50,879
Revaluation of investment properties	107,000	49,000
Revaluation of quoted investments	108,119	(14,068)
Balance as at 31 March	<u>4,200,395</u>	<u>3,929,270</u>

9 Post balance sheet event

These financial statements were authorised for issue, on the date given on the Comptroller and Auditor General's Report, by the Director of Greenwich Hospital as its accounting officer. There have been no events since the end of the financial year which would affect the understanding of the financial statements.

10 Related party transactions

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

Greenwich Hospital is considered a related party to Travers Foundation. Under the Armed Forces Act 1976, all funds of Travers Foundation are allowed to be used for the benefit of Greenwich Hospital. All cash funds are transferred to Greenwich Hospital for its exclusive use, but with the anticipation that Greenwich Hospital will finance any expenditure that the Travers Foundation cannot fund through its ongoing activities. As such, the net amount transferred to Greenwich Hospital has been recorded as a debtor in these accounts.

11 Financial instruments

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

Travers Foundation 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 2012-13 the Hospital continued to require fund managers to perform against various different benchmarks appropriate to each fund.

Interest Rate Risk

Travers Foundation has exposure to UK interest rate risk through its holding in cash balances.

Currency Risk

Travers Foundation has exposure to currency risk through its holding in the Global Growth and Income Fund.

Market Price Risk

Travers Foundation has exposure to changes in market prices through holding in the Global Growth and Income Fund.

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



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