

Presented pursuant to Chelsea Hospital Act 1876 (Acts 39 & 40 Vict.), c. 14, s. 1.

Royal Hospital Chelsea Account 2007-2008

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 21 JULY 2008

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Officers and Commissioners

Chairman of the Board of Commissioners

HM Paymaster General

Ex-officio Commissioners

HM Paymaster General
Minister of State for the Armed Forces
Under Secretary of State for Defence and Minister for Veterans
The Governor, Royal Hospital Chelsea
Director General Resources Land Forces Command
Director General of Army Medical Services
Assistant Chief of the General Staff
Lieutenant Governor, Royal Hospital, Chelsea

Specially Appointed Commissioners

Mr MD Drury CBE FSA (retired 30 April 2008)
Mr RH Hunting (retired 30 April 2008)
The Hon D McAlpine
Countess Cadogan MVO
Mr G Flather OBE QC
Mr R Moore
Lord Bilimoria CBE DL
Mrs S Phillips OBE DL
Professor Dame J Husband FMedSci FRCP FRCR – as from 1 October 2007
Sir M Jenkins KCMG – as from 1 October 2007
Mr S Corbyn as from 1 May 2008
Mr D McDonough as from 1 May 2008

Secretary and Accounting Officer

PWD Hatt

Registered address

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Auditor

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Solicitors

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Carmelite
50 Victoria Embankment
Blackfriars
London EC4Y 0DX

Investment Managers

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Mellon Financial Centre
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Property Managers

Cordea Savills LLP
20 Grosvenor Hill
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Property Maintenance

Norland Managed Services Ltd
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SE1 IRU

Bankers

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Knightsbridge Business Centre
PO Box 32014
London NW1 2ZG

Works Consultants

Capita Symonds Limited
61-71 Victoria Street
Westminster
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Annual Report of the Commissioners

Introduction

The Royal Hospital was founded by King Charles II in 1682 'as a place of refuge and shelter for such Land Soldiers as are or shall be old, lame or infirm in the service of the Crown'. Sir Christopher Wren was entrusted with the design of the building and it was ten years later, in the spring of 1692, that the first In-Pensioner took up residence. It continues to provide the same care today and plans to continue to do so.

Governing documents and charitable objects

The statutory authority for the Royal Hospital is founded on Letters Patent from the Crown, which vests responsibility for its management in a Board of Commissioners. The current Letters Patent were issued on 23 November 2003. The Paymaster General is formally the Treasurer of the funds and Chairman of the Board of Commissioners who administer them, although in practice the Governor usually takes the chair.

Whilst care of the In-Pensioners remains the Royal Hospital's principal task, it is also responsible for the conservation of its historic buildings and grounds. The cost of major capital projects and the upkeep of the grounds is not met from the Grant in Aid, but paid out of the Army Prize Money and Legacy Fund, a private fund owned by the Commissioners. That fund also provides additional support to the In-Pensioners which could not reasonably be expected to come from public funds, for example subsidised holidays, a regular Battlefield tour and television services.

The Royal Hospital provides 24-hour cover for 365 days of the year. The staff of the Royal Hospital number 247 full and part-time of whom 89 are medical and nursing staff.

An annual Grant in Aid from the Ministry of Defence provides for the maintenance of the Royal Hospital buildings and for meeting the cost of fuel and lighting, food, furniture, clothing, medical care for In-Pensioners, staff costs and certain payments to the In-Pensioners. In exchange, the In-Pensioners surrender their Army long service and/or their disability pensions when they are admitted to the Royal Hospital. The use to which the Grant in Aid fund is put is set out in detail in the notes to the Financial Statements.

Induction of Commissioners

The Commissioners of the Royal Hospital are appointed by the Sovereign from members of the Government, serving or retired military officers, Civil Servants or other distinguished individuals from the public and private sectors and are subject to scrutiny under the Nolan guidelines.

On taking up their appointment, each Commissioner is provided with information about the Royal Hospital, its structure, and how it is run, and the responsibilities of the Commissioners.

Organisational structure and decision making

The Royal Hospital is governed by the Board of Commissioners. The Board agrees the policies to be adopted in the running of the Hospital, approves the admittance of In-Pensioners and authorises all of the Royal Hospital's expenditure. It approves all expenditure on individual projects of over £250,000. The Board has a number of sub-committees: the Audit Committee, the Clinical Governance Committee, the Projects Committee, the Investment Committee, and the Pay Committee. The operations of the Royal Hospital are conducted through the Management Board which is chaired by the Lieutenant Governor and attended by all of the departmental heads.

Monitoring of performance

The Commissioners review all aspects of the performance of the Royal Hospital at their quarterly meetings. At a working level the Management Board meets monthly and reviews performance against key performance indicators and targets.

Accounting and reporting responsibilities

The Commissioners are required to make a proper presentation of accounts for each financial year. The accounts are required to give a true and fair view of the state of affairs of the Hospital at the year end, and of its incoming resources and application of resources for the financial year.

In preparing the accounts the Hospital is required to

- apply suitable accounting policies on a consistent basis, taking account of the relevant accounting and disclosure requirements;
- make judgements and estimates on a reasonable and prudent basis;
- state whether applicable United Kingdom accounting standards are being followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Hospital will continue in operation.

The Commissioners are responsible for keeping accounting records which are to disclose, with reasonable accuracy, the financial position of the Royal Hospital at any time, and to enable the Commissioners to ensure that the Financial Statements comply with the disclosure regulations and charity law. They are also responsible for safeguarding the Royal Hospital's assets, and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

The Royal Hospital Chelsea follows closely the guidelines laid down in Charities SORP 2005.

Employees

Employees are kept well informed of the performance and objectives of the Royal Hospital through its Staff Consultation Group and regular staff bulletins. Employees are given the opportunity to develop and progress according to their ability.

The Royal Hospital has continued its policy of giving the disabled full and fair consideration for all job vacancies for which they offer themselves as suitable applicants, having regard to their particular aptitudes and abilities.

Risk management

The Royal Hospital maintains a comprehensive risk register which is updated every six months and reviewed by the Audit Committee. It aims to cover a wide range of topics including fire, legal, health and safety, financial, mismanagement, and terrorism. There is also a business continuity plan should there be a catastrophic event such as a fire.

Factors outside the control of the Royal Hospital

During the years 2005 and 2006 the Royal Hospital's ability to start work on the new infirmary was held up by objections by a number of local interest groups. This had the effect of making changes to the external design and adding several million pounds to the estimated cost.

The Royal Hospital is also dependent on a Grant in Aid from the Ministry of Defence. Should this be significantly reduced, it would be unable to continue to provide the care that it was founded to provide.

Relationship with subsidiaries

The Commissioners form a majority of directors on the Board of Royal Hospital Chelsea Appeal Limited, which owns all the shares in Chelsea Pensioner (RH) Ltd.

Aims, Objectives and Activities

The purpose of the Royal Hospital contained in its mission statement is to provide a fitting home and community for ageing or infirm veteran soldiers to whom the nation owes a debt of gratitude. Its long term objectives are set out in the Royal Hospital Plan and these are further amplified in the Royal Hospital Chelsea Management Plan.

In addition to the continuing care of the In-Pensioners, the Royal Hospital has a major modernisation programme including the building of a new infirmary and modernisation of the remaining living accommodation. The funds to pay for this are being raised through the Chelsea Pensioners' Appeal.

Principal activities of the year

Work has continued on the new Infirmary throughout this financial year. Infirmary Residents are currently looked after either in the temporary infirmary or in the Long Wards with nursing assistance as required.

Volunteers

The Royal Hospital relies greatly on help from volunteers. Many are private individuals who visit the Infirmary, take In-Pensioners out for trips, and assist in accompanying In-Pensioners when they go to neighbouring hospitals. The Prince of Wales Hall tea shop is staffed by volunteers from the British Red Cross who provide an invaluable service. It has not been possible to put a value on the contribution of the Royal Hospital's volunteers as the number of hours they put in is not recorded, and many do not wish this to be counted in any case.

Review of achievements and performance for the year

Operational performance by department

Projects

The Head of Projects is responsible for delivering works projects to time and budget. The major area of work over the past year has been the construction of the Margaret Thatcher Infirmary, but preparatory work is commencing on the reconversion of the temporary infirmary to Long Wards Accommodation.

Chaplain

The Chaplain provides spiritual services to the Royal Hospital community. The main Chapel is licensed as a place of public worship and operates, in most respects, as a 'parish' church. Regular Sunday and weekday services are held, and a high standard of Church Music is provided by its professional choir. The Chapel is the focal point for Regimental Association services throughout the year and is regularly used for weddings, memorial services, carol services and other special events. The majority of In-Pensioners' funerals are held in the Chapel which is also the main venue for the annual RHC Concert Series held in October and November. The Chaplain is also responsible for the administrative control of the small Roman Catholic chapel and for setting up and eventually running the chapel within the new Infirmary.

Human Resources

Following the resignation of the HR/Welfare Officer in February 2007 and the deletion of the Head of Personnel post in March 2007 the HR Department started 2007-2008 reduced in numbers. The Deputy Head of Personnel became HR Manager with effect from April 2007. The Social Care Association was appointed as the umbrella body for CRB checks and the Welfare Function was outsourced. The Personnel Administrator (re-titled HR Officer in September) undertook to deliver and develop Induction for new staff and IPs. The new Performance Management system was launched in May following training for all managers and a briefing to all staff. The HR Assistant was appointed in September becoming Secretary to the SCG and attending her first meeting in November. Recruitment for two senior appointments was completed.

Finance

The finance department provides financial and management accountancy services for all Royal Hospital funds. It operates the Royal Hospital's payrolls. The department receives all cash and makes all payments to suppliers. It provides treasury services for the funds of the Royal Hospital. It supports management decision making.

Planning and Co-ordination.

This section is responsible for central administration, including servicing the Royal Hospital's Committees and managing performance management through the Corporate Plan. It administers Founder's Day and other formal Royal Hospital events. It reviews and updates the Risk Register and the Royal Hospital's Business Continuity Plan. The Museum and archives were within the remit of the section in 2007-2008.

ICT

Notable achievements during the year include the delivery of Broadband internet access to all the In-Pensioners' berths giving the In-Pensioners the freedom of accessing the internet from their own berth. Implementation of ThankQ Software for the Development Office by the ICT Department saved the Hospital £50,000. Network Resilience has been achieved by laying a secondary fibre cabling and rationalising the entire network infrastructure.

Adjutant

The Adjutant's department deals with the daily welfare and administration of the Chelsea Pensioners. It also runs the In-Pensioners' Club and the Prince of Wales Hall. During the year In-Pensioner levels have averaged 302 against a total capacity of 328. The Adjutant's department is responsible for the Founder's Day parade, controls the number of requests from external organisations for visits by In-Pensioners and provides contingents of Chelsea Pensioners for the Royal British Legion Remembrance Day Ceremony, the Edinburgh Military Tattoo and many other national parades, regimental functions and events. The Department is responsible for Royal Hospital Security.

Care services

Outpatients

The Outpatients department provides 'family practice' facilities for the In-Pensioners and resident staff as well as full time medical cover for the Infirmary. It also provides full time physiotherapy. Facilities such as dentistry, chiropody and ophthalmology are bought in.

Nursing Care

Nursing care is currently carried out in the temporary infirmary and the Long Wards. The temporary infirmary has a total capacity of 59 beds, considerably less than the one it replaced, and average occupancy has been 49 throughout the year. A number of In-Pensioners who would otherwise have been admitted as Infirmary Residents have remained in the Long Wards to ease overcrowding and will continue to do so until the new infirmary is built. They are looked after by nursing staff deployed to the Long Wards.

Notable achievements during the year have included a two star 'GOOD' rating in the January 2008 CSCI inspection.

The Infirmary was also audited by City University and the Nursing and Midwifery Council looking at the academic support to nursing students and received excellent reports from both.

80% of Infirmary Care staff have now achieved NVQ qualifications at level 2 and/or 3 and all the domestic and portering staff have achieved NVQ qualifications at level 1 and/or 2 in domestic services. This well exceeds the national average of below 50 per cent.

Director facilities management

Quartermaster

The Quartermaster is responsible for the provision of stores, cleaning, portering and catering services to the RHC. He is also responsible for the maintenance of the fabric of the buildings and the upkeep of the grounds. In addition he is also the Royal Hospital's Health and Safety Officer.

Works

The day to day management of building maintenance was contracted out to Norland Facilities Management during the course of this financial year. Significant achievements include

- reducing the lead time on reactive work from 20 days to same day for priority work;
- producing a 5 year maintenance plan for future budgets;
- Octagon lift project completed; and
- Bull Ring gates project completed.

Grounds

Much work has been carried out on improving ornamental turf areas using selective herbicides and slow release fertilizers. In addition great improvements have been seen in the production and planting of annual bedding plant schemes around the grounds.

Catering

The catering department continue to recognize the importance that the In-Pensioners attach to food and meal times. The provision of good quality food is an essential part of this service. This year it provided 298,962 meals to the In-Pensioners in various locations throughout the Hospital. During the year food prices increased significantly and adjustments were made to the menus without detriment to the end product.

Development Director

The Development Director is responsible for building and sustaining the Royal Hospital's business development, commercial services and fundraising activities with the aim of generating additional capital and revenue streams needed to secure the future of the institution; and to direct the marketing and external communication activities with the aim of advancing the public awareness of the work of the Royal Hospital and of the Army's contribution to the nation. Recent developments include the recruitment of the first Development Director, the establishment of the Friends as a vehicle for fund raising, and the recruitment of a Future Development Adviser.

The Events Department coordinates the use of Royal Hospital facilities by outside users. It also arranges guided tours of the Royal Hospital. During the year it generated some £0.9 Million in profit including the RHS Chelsea Flower Show.

Fundraising performance

Fundraising is carried out by the Appeal Executive Committee headed by Lord Salisbury. At the end of 2007-2008 it had raised £28 million comprising £22 million cash receipts and £6 million in pledges. Of this, £3.5 million, pledged and cash, has been donated specifically for the Long Wards, while the remainder has been spent on the new Margaret Thatcher Infirmary.

Financial review and results for the year

Financial review

Grant in Aid

The Grant in Aid funds the care of the In-pensioners, including food and utilities. To avoid a significant deficit MoD provided an additional £300,000 funding in year. Net of receipts such as payments for meals and staff rent recoveries, expenditure exceeded the revised Grant in Aid by £17,109.

Pressures on the Grant in Aid are expected to be higher in 2008-2009 and this is an area that is being monitored closely.

Army Prize Money and Legacy Fund

The Army Prize Money and Legacy Fund had receipts of £15,657,731 of which £12,920,390 related to transfers from the Appeal in respect of the construction costs for the New Infirmary. Revenue expenditure charged to the APML was £9,277,781, of which £7,837,081 related to depreciation on Fixed Assets.

The Margaret Thatcher Infirmary is being paid for from the Army Prize Money and Legacy Fund, reimbursed from funds from the Chelsea Pensioners' Appeal, and appears on the balance sheet of the Army Prize Money and Legacy Fund. Some £19,724,195 is included in the balance sheet in respect of the infirmary.

The Army Prize Money and Legacy Fund has sufficient cash and reserves to meet its commitments for the next year and is deemed to be a going concern.

Pension liability

Although the employees of the Royal Hospital are members of the Principal Civil Service Pension Scheme, former Governors, Lieutenant Governors and Captains of Invalids are members of an unfunded defined benefit scheme which is paid out of current income. The scheme has 20 retired members (or their widows), and has been closed to new entrants. The scheme is a final salary scheme with benefits based on number of years' service and final salary. Under FRS 17 there is a liability of £466K attributable to the Grant in Aid fund (see note 29).

Reserves policy

The Grant in Aid is not permitted to hold any reserves. The Army Prize Money and Legacy Fund holds a designated reserve of £2,193,907 in respect of the new development fund. Royal Hospital Chelsea Appeal Limited holds both restricted and unrestricted reserves. These are designated to the Development Project, £1,795,088 of which is unrestricted, and £500,650 is restricted to the Long Wards modernisation. Chelsea Pensioner (RH) Limited holds no designated reserves.

Tangible fixed assets

The Hospital's operational land and buildings are stated at a professional valuation. In accordance with the Royal Institution of Chartered Surveyors guidance, the valuation basis is depreciated replacement cost. This basis is intended to measure the value to the Hospital of the assets in their present location, use and condition. The investment estate has been valued at £21.9 million on an open market basis while the operational estate has been valued at £575.1 million on a depreciated replacement cost basis. Of this, £552.4 million represents heritage assets, leaving a total of £22.7 million in non-heritage assets.

Investment policy and objectives

The Hospital's portfolios are managed by investment managers who have been given discretion to manage them by investing in equities and fixed interest securities, within benchmarks which are set and regularly reviewed by the Commissioners. The Commissioners also review the terms of engagement and levels of remuneration of the investment managers.

Over the long term, the Commissioners' policy is to optimise the total return from the investments. The Commissioners believe that this investment policy remains appropriate. Care has been taken to set aside funds that are readily accessible in case of any cash shortfall during the building of the new infirmary.

Plans for future periods

Development plans

The most significant plans affecting the Royal Hospital in the short term are the building of a new infirmary, currently under way and scheduled to be finished in late 2008, and the subsequent re-conversion of the temporary infirmary into Long Ward accommodation. Medium term plans concentrate on the modernisation of the Long Ward accommodation, little changed since the days of Sir Christopher Wren, to incorporate en-suite facilities and to cater for female In-Pensioners.

Audit Arrangements

The accounts of the Royal Hospital are audited by the Comptroller and Auditor General in accordance with the Letters Patent dated 23 November 2003 under Section 43 of the Charities Act 1993. An audit fee of £32,000 has been charged for the audit and is included in the Governance costs of the Hospital. No non-audit work was carried out on behalf of the Hospital in 2007-2008.

All relevant audit information has been disclosed to the entity's auditors.

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of aims and objectives set by the Commissioners of the Royal Hospital Chelsea whilst safeguarding the public funds and assets for which I am personally responsible in accordance with a letter of delegation from the Permanent Secretary of the Ministry of Defence.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Royal Hospital's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically. The system of internal control has been in place in the Royal Hospital for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The Royal Hospital Chelsea has established the following processes to handle risk

- the maintenance and regular review of a business wide risk assessment register, with changes reported to the Audit Committee;
- publication of a detailed emergency response plan, embracing local authorities and agencies, in case of accident or disaster;
- the setting up of a chain of command with a control centre and incident control points equipped to handle physical disasters and accidents, with particular emphasis on response outside normal working hours;
- a business continuity plan; and
- regular Health and Safety reviews.

The risk control framework

- A Management Board meets monthly to consider the budgetary position, management planning and the strategic direction of the Royal Hospital (the Board comprises the Lieutenant Governor, the Secretary and the Heads of Department).
- Regular reports are made by internal auditors to standards defined in the Government Internal Audit Manual which include the Internal Auditors' independent opinion on the adequacy and effectiveness of the Royal Hospital Chelsea's system of internal control together with recommendations for improvement.
- Training of management including the avoidance of fraud includes regular staff study days.
- All staff are involved in training in the emergency response plan.
- Every department is required to have First Aid staff with up to date qualifications.
- Regular practice of emergency procedures takes place, including the involvement of the In-Pensioners.
- There is Regular Health and Safety training covering all aspects from fire fighting to the lifting of heavy objects. This is carried out under the auspices of the Royal Hospital's Health and Safety Officer.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and executive managers within the Royal Hospital who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of effectiveness of the system of internal control by the Commissioners' Audit Committee and a plan to address weaknesses and ensure continuing improvement of the systems is in place. This process is carried out as follows

- Periodic reports from the Chairman of the Audit Committee to the Board of Commissioners concerning internal control.
- Internal Audit reviews of internal control and risk management.
- Regular reviews by the Risk Manager for each risk area.
- Regular reports from heads of departments on the steps they are taking to manage risks in their areas of responsibility including action to be taken in the event of difficulties in delivering essential services.

PWD Hatt
Secretary and Accounting Officer

15 July 2008

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

I certify that I have audited the financial statements of Royal Hospital Chelsea for the year ended 31 March 2008 under the Chelsea Hospital Act 1876. These comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet and the Royal Hospital Chelsea Balance Sheet, the Consolidated 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 Commissioners, the Secretary and the Auditor

The Commissioners and the Secretary, as Accounting Officer, are responsible for preparing the Annual Report and the financial statements in accordance with the Chelsea Hospital Act 1876 and for ensuring the regularity of financial transactions

My responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland). I have been appointed as auditor by the Letters Patent dated 23 November 2003 under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of the Charities Act 1993.

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Chelsea Hospital Act 1876. I report to you whether, in my opinion, certain information given in the Annual Report, which includes a Review of Achievements for the Year and a Financial Review, is consistent with the financial statements. I also report whether in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

Basis of audit opinions

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements

Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Chelsea Hospital Act 1876, of the state of the Royal Hospital Chelsea's affairs as at 31 March 2008 and of its incoming resources and application of resources for the year then ended;
- the financial statements have been properly prepared in accordance with the Chelsea Hospital Act 1876; and
- information given within the Annual Report, which includes the Review of Achievements for the Year and the Financial Review, is consistent with the financial statements.

Opinion on regularity

In my opinion, in all material respects, the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General

17 July 2008

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Consolidated Statement of Financial Activities for the year ended 31 March 2008

	Notes	Grant in Aid Fund Unrestricted Funds	Army Prize Money and Legacy Fund Unrestricted Funds	Subsidiaries Unrestricted Funds	Restricted Funds	Total Group Funds 2008	Total Group Funds 2007
Incoming resources							
Incoming resources from generated funds							
Voluntary income	2	0	1,547,355	0	0	1,547,355	1,227,802
Activities for generating funds	3	0	27,052	0	0	27,052	22,937
Investment income	4	0	870,768	0	0	870,768	1,637,588
Charitable activities	5	9,554,000	0	6,051,680	200,650	15,806,330	17,664,021
Other incoming resources	6	1,065,609	13,212,556	0	0	14,278,165	4,256,665
Total incoming resources		10,619,609	15,657,731	6,051,680	200,650	32,529,670	24,809,013
Resources expended							
Costs of generating funds							
Costs of generating voluntary income	7	539,073	322,543	8,720,360	6,000,000	15,581,976	5,015,867
Fundraising trading: cost of goods sold and other costs	8	0	28,601	0	0	28,601	21,093
Investment management costs		0	61,570	0	0	61,570	54,835
<i>Charitable activities</i>							
Infirmity Nursing and Medical	9	2,825,180	2,457	0	0	2,827,637	2,746,321
Welfare and ceremonial	10	940,459	256,803	0	0	1,197,262	1,124,954
Facilities Management	11	4,776,832	321,962	0	0	5,098,794	4,905,332
Projects	14	118,573	2,345	0	0	120,918	85,340
Administrative Support	12	1,265,017	223,963	0	0	1,488,980	1,641,898
<i>Other resources expended</i>							
Depreciation	19	97,583	7,837,081	6,266	0	7,940,930	2,311,517
Provisions		0	87,111	0	0	87,111	0
Governance costs	15	74,001	133,345	0	0	207,346	169,298
Total resources expended		10,636,718	9,277,781	8,726,626	6,000,000	34,641,125	18,076,455
Net incoming/outgoing resources before transfers		(17,109)	6,379,950	(2,674,946)	(5,799,350)	(2,111,455)	6,732,558

Consolidated Statement of Financial Activities for the year ended 31 March 2008 *continued...*

	Notes	Grant in Aid Fund Unrestricted Funds	Army Prize Money and Legacy Fund Unrestricted Funds	Subsidiaries Unrestricted Funds	Restricted Funds	Total Group Funds 2008	Total Group Funds 2007
Transfers							
Gross transfers	18	0	0	0	0	0	0
Net incoming/outgoing resources before other recognised gains and losses							
		(17,109)	6,379,950	(2,674,946)	(5,799,350)	(2,111,455)	6,732,558
<i>Other recognised gains/losses</i>							
Realised profit/loss on investments.		0	(161,109)	0	0	(161,109)	1,577,117
Realised loss on disposal of fixed assets		(3,028)	(3,420)	0	0	(6,448)	(5,440)
Unrealised gains/losses on investment assets		0	(660,982)	(2,668)	0	(663,650)	(1,257,100)
Actuarial gains/losses on defined benefit pension schemes	29	(20,000)	0	0	0	(20,000)	25,000
Movement on revaluation reserve		0	272,797,121	0	0	272,797,121	
Net movement in funds		(40,137)	278,351,560	(2,677,614)	(5,799,350)	269,834,459	7,072,135
Reconciliation of Funds							
Total funds brought forward		(487,783)	332,459,468	4,498,062	6,300,000	342,769,747	335,697,612
Total funds carried forward		(527,920)	610,811,028	1,820,448	500,650	612,604,206	342,769,747

Consolidated Balance Sheet as at 31 March 2008

	Notes	Total Group Funds	
		2008	2007
		£	£
Fixed assets			
Heritage	19	552,385,979	300,135,766
Non-heritage	19	22,668,200	9,092,108
Listed investments	20	11,263,463	12,371,879
Investment property	21	21,910,000	8,287,000
		608,227,642	329,886,753
Current assets			
Stocks	22	73,469	95,061
Debtors	23	573,272	203,479
Cash at bank and in hand	24	8,449,313	15,105,679
Current asset investments		38,000	75,142
		9,134,054	15,479,361
Creditors: amounts falling due within one year	25	(3,538,330)	(1,674,293)
Net current assets		5,595,724	13,805,068
Total assets less current liabilities		613,823,366	343,691,821
Creditors: amounts falling due over one year	26	(666,049)	(455,075)
Provisions for liabilities and charges	27	(87,111)	
Pensions liability	29	(466,000)	(467,000)
Total assets less liabilities		612,604,206	342,769,746
Reserves			
Grant in Aid Fund		(521,200)	(481,063)
GlA revaluation reserve		(6,720)	(6,720)
<i>Army Prize Money and Legacy Fund: Hospital Funds</i>			
Restricted Funds	33	95,196	75,202
Unrestricted Funds		266,038,263	260,503,819
Revaluation Reserve		344,677,569	71,880,447
<i>Funds retained in Royal Hospital Chelsea Appeal Ltd</i>			
Unrestricted		1,795,088	4,472,354
Restricted	33	500,650	6,300,000
Retained Profit CPRH Ltd.		25,360	25,707
Consolidated Army Prize Money and Legacy Fund		613,132,126	343,257,529
Total reserves		612,604,206	342,769,746

Approved by the following three Commissioners on 15 July 2008

S Corbyn

Major General APN Currie

R Moore

Royal Hospital Chelsea Balance Sheet as at 31 March 2008

	Notes	Grant in Aid Fund £	Army Prize Money and Legacy Fund £	Total Hospital Funds 2008 £	Total Funds 2007 £
Fixed assets					
Heritage	19	0	552,385,979	552,385,979	300,135,766
Non-heritage	19	302,888	22,320,909	22,623,797	9,041,440
Listed investments	20	0	11,263,463	11,263,463	12,371,879
Investment property	21	0	21,910,000	21,910,000	8,287,000
		<u>302,888</u>	<u>607,880,351</u>	<u>608,183,239</u>	<u>329,836,085</u>
Current assets					
Stocks	22	36,872	0	36,872	64,109
Debtors	23	107,355	347,531	454,886	436,417
Cash at bank and in hand	24	3,861	5,420,562	5,424,423	3,741,274
Current asset investments		0	0	0	0
		<u>148,088</u>	<u>5,768,093</u>	<u>5,916,181</u>	<u>4,241,800</u>
Creditors: amounts falling due within one year	25	<u>(381,182)</u>	<u>(2,215,970)</u>	<u>(2,597,152)</u>	<u>(1,184,125)</u>
Net current assets		(233,094)	3,552,123	3,319,029	3,057,675
Total assets less current liabilities		69,795	611,432,473	611,502,268	332,893,760
Long term creditors	26	(131,715)	(534,334)	(666,049)	(455,075)
Provisions for liabilities and charges	27	0	(87,111)	(87,111)	
Net assets excluding pension liability		(61,920)	610,811,028	610,749,108	332,438,685
Pension liability	29	<u>(466,000)</u>	0	<u>(466,000)</u>	<u>(467,000)</u>
Net assets including pension liability		<u>(527,920)</u>	<u>610,811,028</u>	<u>610,283,108</u>	<u>331,971,685</u>
Reserves					
Restricted funds	33	0	95,196	95,196	75,202
Unrestricted income funds					
Grant in Aid Fund		(521,200)	0	(521,200)	(487,783)
Army Prize and Legacy Fund		0	266,038,263	266,038,263	260,510,539
Revaluation Reserve		(6,720)	344,677,569	344,670,849	71,873,727
Total funds		<u>(527,920)</u>	<u>610,811,028</u>	<u>610,283,108</u>	<u>331,971,685</u>

Consolidated Cash Flow Statement for the year ended 31 March 2008

	Grant in Aid Fund	Army Prize Money and Legacy Fund	Total Group Funds 2008	Total Group Funds 2007
	£	£	£	£
Net cash flow from operating activities	33,641	6,283,787	6,317,428	7,650,631
Returns on investment				
Interest received	15,302	292,263	307,565	147,307
Dividends received	0	407,571	407,571	377,524
Income from investment properties	0	463,197	463,197	1,260,064
	15,302	1,163,031	1,178,333	1,784,895
Capital expenditure and financial investment				
Payments to acquire listed investments	0	(2,921,890)	(2,921,890)	(12,011,997)
Receipts from sales of listed investments	0	3,458,423	3,458,423	11,844,363
Proceeds from sale of fixed assets	0	0	0	1,000
Payments to acquire tangible fixed assets	0	(14,599,562)	(14,599,562)	(3,644,503)
	0	(14,063,029)	(14,063,029)	(3,811,137)
Management of liquid resources	0	(700,000)	(700,000)	(2,300,000)
Capital Projects Fund Growth	0	(89,099)	(89,099)	0
Increase/(decrease) in cash	48,943	(7,405,310)	(7,356,367)	3,324,389

Reconciliation of net incoming/(outgoing) resources to net cash flow from operating activities

	£	£	£	£
Net incoming/(outgoing) resources before transfers	(17,107)	(2,094,346)	(2,111,453)	6,732,558
Interest receivable	(15,302)	(292,263)	(307,565)	(147,307)
Income from listed investments	0	(407,571)	(407,571)	(377,524)
Income from Investment properties	0	(463,197)	(463,197)	(1,260,064)
Depreciation	97,583	7,843,347	7,940,930	2,311,517
Decrease/(increase) in stocks	21,237	355	21,592	12,287
Decrease/(increase) in debtors	(27,202)	(342,591)	(369,793)	276,787
Movement on Provisions	0	87,111	87,111	0
Decrease/(increase) in current asset investments	0	0	0	(75,142)
Increase/(decrease) in creditors	(42,539)	2,117,471	2,074,932	126,559
Gain (loss) on disposal of fixed assets	(3,029)	(3,420)	(6,449)	(5,440)
Realised gain (loss) on investments	0	(161,109)	(161,109)	128,400
Adjustments for non-cash pension charges.	20,000	0	20,000	(72,000)
Net cash flow from operating activities	33,641	6,283,787	6,317,428	7,650,631

Analysis of changes in net funds

	At 1 April 2007	Cash flow	At 31 March 2008
	£	£	£
Term deposits (liquid resources)	3,300,000	700,000	4,000,000
Other accounts and cash in hand	11,805,679	(7,356,367)	4,449,312
Capital Projects Fund (included within Investment Assets).	2,071,747	89,099	2,160,846
Total	17,177,426	(6,567,268)	10,610,158

Notes to the Financial Statements for the year ended 31 March 2008

1 Accounting policies

a Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention and comply with the Companies Act 1985. The financial statements have been prepared in accordance with Accounting by Charities: Statement of Recommended Practice (revised 2005) (the Charities SORP) issued in March 2005 and applicable United Kingdom Accounting Standards. Where appropriate, comparative figures have been restated.

Consolidated financial statements have been prepared for the Hospital and its two subsidiary companies, Royal Hospital Chelsea Appeal Limited, formerly named Chelsea Pensioners 2000 Limited, and Chelsea Pensioner (RH) Limited.

b Recognition of incoming resources

Voluntary income and donations are accounted for in the Statement of Financial Activities (SOFA) as they are received. Grant in Aid, rents and earned income are accounted for as they are receivable.

c Outgoing resources

Expenditure is allocated to expense headings on a direct cost basis. Any Value Added Tax (VAT) which is irrecoverable is included with the item to which it relates.

d Fund analysis

The primary statements and the notes to the accounts are analysed between the two main funds of the Hospital, the Grant in Aid Fund and the Army Prize Money and Legacy Fund, which subsumes the Drouly, Ingram, Ranelagh and De la Fontaine Legacies. In the consolidated statements, the transactions and balances of the subsidiaries are included in the Army Prize Money and Legacy Fund. In terms of the Charities SORP, all material funds are unrestricted with the exception of Royal Hospital Chelsea Appeal Limited, but separate analysis is included in the accounts statements.

e Tangible fixed assets

Freehold property is stated at valuation on a depreciated replacement cost basis. Valuations by independent professionally qualified valuers are obtained at five yearly intervals with the most recent revaluation taking place this financial year. Other tangible fixed assets are capitalised at their estimated depreciated replacement cost or at historic cost on acquisition. Since 2004 all new capital expenditure has been funded from the Army Prize Money and Legacy Fund. Improvements and additions in periods between valuations are capitalised at historic cost. Depreciation is provided at rates calculated to write off the value of each asset, except freehold land, assets in course of construction, and exhibits, over its expected useful life, as follows

Freehold buildings	over the remaining useful life as estimated by the valuer
Fixtures and fittings	5 – 10 years straight line
Plant and machinery	10 – 25 years straight line
Motor vehicles	10 – 15 years straight line
Office Equipment	7 – 10 years straight line
Computers	3 years straight line

f Heritage assets

New heritage assets are capitalised at cost upon acquisition. Existing heritage assets have not been capitalised.

g Investment properties

Investment properties are shown at their open market value. Valuations by independent professionally qualified valuers are obtained at five yearly intervals. No depreciation is charged on investment properties.

h Capitalisation thresholds

The lower limit for capitalisation of land and buildings is £10,000. For all other fixed assets it is £5,000.

i Listed investments

Listed investments are shown at market value as at the balance sheet date. Unrealised gains and losses on the revaluation of investments are recognised in the SOFA.

j Stocks

Stock is valued at the lower of cost and net realisable value. Provision is made for obsolete and slow moving items.

k Pensions

The nature of the Hospital's pension schemes are set out in note 29. The pension costs charged to the SOFA represent the contributions payable to the Schemes on behalf of members of staff.

l Taxation

The Hospital is recognised as charitable by HM Revenue & Customs and is generally exempt from Corporation Tax on surpluses and capital gains. The Hospital has de-registered for the purposes of VAT. Irrecoverable VAT is included in the SOFA with the item to which it relates.

m Payments

The Hospital aims to pay all invoices within 30 days of receipt, and this was achieved in the year ended 31 March 2008.

2 Voluntary income

	Grant in Aid Unrestricted funds	Army Prize Money and Legacy fund Unrestricted funds	Restricted funds	Total Group funds 2008	Prior year total group 2007
	£	£	£	£	£
Donations and legacies	0	1,547,355	0	1,547,355	1,227,802

Donations and legacies include £118,367 (2007: £315,535) received from the EH Dashwood Estate. The Hospital is entitled to 25 per cent of the net estate, which consists of property and equity investments. The trustees of the estate make periodic distributions to the beneficiaries from the net income of the estate's investments and the proceeds of investment sales. The Hospital is not provided with full information on the market value of its interest in the estate, and therefore accounts for this legacy on the basis of distributions received. The total income from all legacies this year was £619,057. All donations and legacies are credited to the Army Prize Money & Legacy Fund.

3 Activities for generating funds

	Grant in Aid Unrestricted funds	Army Prize Money and Legacy fund Unrestricted funds	Restricted funds	Total group funds 2008	Prior year total group 2007
	£	£	£	£	£
Prince of Wales Hall	0	27,052	0	27,052	22,937

The Prince of Wales Hall is primarily a welfare facility. Although the turnover is higher this year, the cost of sales exceeded turnover and it made a net deficit of £1,549.

4 Investment income

	Grant in Aid Unrestricted funds	Army Prize Money and Legacy fund Unrestricted funds	Restricted funds	Total group funds 2008	Prior year total group 2007
	£	£	£	£	£
Dividends for year	0	407,571	0	407,571	377,524
Income from property	0	463,197	0	463,197	1,260,064
Total	0	870,768	0	870,768	1,637,588

The Hospital owns the freehold of its investment properties and has granted head leases to various head tenants. The head tenants have in turn granted underleases to sub tenants.

Under the Leasehold Reform Housing and Urban Development Act 1993, tenants were given the right to extend their leases by ninety years. The Act specifies that a premium is payable for the granting of such extensions and gives details of how this is to be calculated. The amount of £463,197 shown as income from investment properties includes £221,098 paid to the Hospital in respect of such premiums (2007: £1,047,039).

5 Charitable activities

	Grant in Aid Unrestricted funds	Army Prize Money and Legacy fund Unrestricted funds	Subsidiaries Unrestricted funds	Subsidiaries Restricted funds	Total group funds 2008	Prior year total group funds 2007
	£	£	£	£	£	£
Grant in Aid	9,554,000	0	0	0	9,554,000	9,232,000
Income of subsidiaries	0	0	6,051,680	200,650	6,252,330	8,432,021
Total	9,554,000	0	6,051,680	200,650	15,806,330	17,664,021

There are no specific conditions on the Grant in Aid other than that it should be spent in accordance with the Crown Letters Patent and the Funding Agreement made with the Ministry of Defence.

6 Other incoming resources

	Grant in Aid Unrestricted funds £	Army Prize Money and Legacy fund Unrestricted funds £	Restricted funds £	Total group funds 2008 £	Prior year total group 2007 £
Cost recoveries for staff	554,133	0	0	554,133	0
Staff accommodation charges	218,426	0	0	218,426	215,612
Family practice	29,155	0	0	29,155	90,807
Meal charges	72,442	0	0	72,442	74,207
Events recoveries	41,156	0	0	41,156	18,040
Pension contributions	112,053	0	0	112,053	110,051
Bank interest	15,302	292,263	0	307,565	147,308
Other income	22,942	(97)	0	22,845	491,119
Donations from Appeal	0	12,920,390	0	12,920,390	3,109,521
Total	1,065,609	13,212,556	0	14,278,165	4,256,665

Cost recoveries for staff represents charges to Royal Hospital Chelsea Appeal Ltd and Chelsea Pensioner (RH) Ltd in respect of costs incurred in support of their activities. In prior years they were included in miscellaneous income.

7 Costs of generating voluntary income

	Grant in Aid Unrestricted fund funds £	Army Prize Money and Legacy fund Unrestricted funds £	Subsidiaries unrestricted funds £	Total group funds 2008 £	Prior year total group 2007 £
Staff costs	537,882	214,309	0	752,191	508,406
Staff support and training	0	1,859	0	1,859	1,498
Direct expenses	0	21,487	0	21,487	2,931
Office overheads	1,191	5,086	0	6,277	4,201
Travel	0	2,575	0	2,575	705
Professional charges	0	77,227	0	77,227	0
Subsidiaries	0	0	14,720,360	14,720,360	4,498,126
Total	539,073	322,543	14,720,360	15,581,976	5,015,867

These costs were incurred within the Development Directorate. The lower costs in 2006-2007 reflect the fact that the department was only set up in 2006-2007, although some of its activities had already been underway for a number of years. The subsidiaries costs include donations from the Royal Hospital Chelsea Appeals Ltd to the Army Prize money and Legacy Fund in respect of construction costs for the Margaret Thatcher Infirmary.

8 Fundraising trading: costs of goods sold and other costs

The Hospital has two subsidiary companies.

Royal Hospital Chelsea Appeal Limited (formerly Chelsea Pensioners 2000 Limited)

The company is limited by guarantee and incorporated in England and Wales, and is a registered charity. It was formed in order to stage the son et lumière event "Men in Scarlet", commemorating the story of the Chelsea Pensioners, which was held in September 2000 and to undertake other charitable activities associated with the Royal Hospital and, in particular, to undertake the fundraising for the Hospital's development plan. This company owns the shares of Chelsea Pensioner (RH) Ltd (below).

The Hospital controls the company because its rules require that the majority of the Board of Directors should be Commissioners of the Royal Hospital.

Chelsea Pensioner (RH) Limited

The company is limited by shares and is incorporated in England and Wales. Its share capital is wholly owned by Royal Hospital Chelsea Appeal Limited, and as a result it is also a subsidiary of the Hospital. It was formed in order to conduct non-charitable trading and commercial fund raising activities, including the Chelsea Flower Show. The company's profits are transferred under gift aid rules to Royal Hospital Chelsea Appeal Limited, and ultimately from that company to the Hospital. A summary of the accounts is as follows.

RHC Appeal Ltd Group Accounts Summary

	2008 £	2007 £
Income	6,252,330	8,432,021
Expenditure	(14,729,294)	(4,503,501)
	(8,476,964)	3,928,520
Fixed assets	44,402	50,668
Stock	36,597	30,953
Debtors	345,147	67,620
Cash	3,024,889	11,364,405
Investments	38,000	75,142
	3,489,035	11,588,788
Creditors: less than one year	(1,167,937)	(790,726)
Funds retained in RHC Appeal Ltd	2,321,098	10,798,062
Reserves		
Restricted Funds	500,650	6,300,000
Unrestricted	1,820,448	4,498,062
	2,321,098	10,798,062

The Prince of Wales Hall

The Prince of Wales Hall is a welfare facility, but it does trade in light refreshments with the aim of breaking even. In previous years it has produced a small profit. In 2007-2008 it produced a small deficit, due to selling prices not reflecting increased costs. Selling prices for 2008-2009 are being reviewed.

Prince of Wales Hall

	2008	2007
	£	£
Turnover	27,052	22,937
Cost of sales	(28,601)	(21,094)
Gross (loss)/profit	(1,549)	1,843
Administrative expenses	0	0
Other costs	0	0
Net (loss)/profit	(1,549)	1,843

9 Infirmary

	Grant in Aid Unrestricted funds	Army Prize Money and Legacy fund Unrestricted funds	Restricted funds	Total group funds 2008	Prior year total group 2007
	£	£	£	£	£
Staff costs	2,698,606	0	0	2,698,606	2,621,614
Staff support and training	29,077	0	0	29,077	22,282
Direct expenses	71,916	2,443	0	74,359	82,593
Office overheads	9,701	0	0	9,701	10,696
Travel	3,506	14	0	3,520	3,636
Professional charges	12,374	0	0	12,374	5,500
Total	2,825,180	2,457	0	2,827,637	2,746,321

The above costs were incurred in the Infirmary, and are met mainly from the Grant in Aid. Infirmary costs were previously reported separately as 'Medical and Outpatients' and 'Nursing Care'.

10 Welfare and ceremonial costs

	Grant in Aid Unrestricted funds	Army Prize Money and Legacy fund Unrestricted funds	Restricted funds	Total group funds 2008	Prior year total group 2007
	£	£	£	£	£
Staff costs	897,756	0	0	897,756	871,077
Staff support and training	(5,391)	0	0	(5,391)	27,520
Direct expenses	1,798	144,023	0	145,821	84,443
Office overheads	7,034	85	0	7,119	6,461
Travel	10,961	112,695	0	123,656	99,053
Publicity	28,301	0	0	28,301	36,400
Professional charges	0	0	0	0	0
Total	940,459	256,803	0	1,197,262	1,124,954

The above costs, which are specifically related to In-Pensioner welfare, were incurred in both the Adjutant's and the Secretary's departments.

11 Facilities management costs

	Grant in Aid Unrestricted funds £	Army Prize Money and Legacy fund Unrestricted funds £	Restricted funds £	Total group funds 2008 £	Prior year total group 2007 £
Domestic support					
Staff costs	2,641,106	0	0	2,641,106	2,630,011
Staff support and training	10,549	0	0	10,549	22,298
Direct expenses	1,628,566	137,699	0	1,766,265	1,743,600
Office overheads	2,661	138	0	2,799	9,924
Travel	1,509	3,569	0	5,078	10,339
Professional charges	0	0	0	0	14,069
Works maintenance	492,441	180,556	0	672,997	475,091
Total	4,776,832	321,962	0	5,098,794	4,905,332

Facilities Management Costs were previously reported separately as Domestic Support, Grounds Maintenance and Buildings Maintenance.

12 Administrative support costs

	Grant in Aid Unrestricted funds £	Army Prize Money and Legacy fund Unrestricted funds £	Restricted funds £	Total group funds 2008 £	Prior year total group 2007 £
Staff costs	801,392	22,852	0	824,244	943,400
Staff support and training	62,598	293	0	62,891	42,827
Direct expenses	305,462	161,500	0	466,962	527,275
Office overheads	66,004	1,940	0	67,944	67,656
Travel	1,495	7,012	0	8,507	15,947
Publicity	2,037	21,891	0	23,928	19,642
Bank charges	29	120	0	149	151
Pension finance costs	26,000	0	0	26,000	25,000
Works maintenance	0	8,355	0	8,355	0
Total	1,265,017	223,963	0	1,488,980	1,641,898

The above costs were incurred in the Secretary's department.

13 Development Director

The costs of the Development Director equate to the Costs of Generating Voluntary Income, which are covered in Note 7 above. They were shown separately in 2006-2007, as at that time the Development Directorate had a different role.

14 Projects Office

	Grant in Aid	Army Prize Money		Total group	Prior year
	Unrestricted	and Legacy fund			
	funds	Unrestricted	Restricted	2008	2007
	£	£	£	£	£
Projects office					
Staff costs	117,371	0	0	117,371	83,620
Staff support and training	291	1,912	0	2,203	0
Direct expenses	0	0	0	0	150
Office overheads	911	0	0	911	752
Travel	0	433	0	433	818
Professional charges	0	0	0	0	0
Works maintenance	0	0	0	0	0
Total	118,573	2,345	0	120,918	85,340

In 2007-2008 the Project Office was a discrete entity responsible to the Secretary. In 2006-2007 its costs were reported against the Development Director. The costs reported here represent the running costs of the Department and do not include the capital costs of works projects.

15 Governance costs

	Grant in Aid	Army Prize Money		Total group	Prior year
	Unrestricted	and Legacy fund			
	funds	Unrestricted	Restricted	2008	2007
	£	£	£	£	£
Governance costs					
Audit fees	28,475	31,100	0	59,575	55,391
Surveyors' fees	0	42,821	0	42,821	0
Consultancy fees	20,078	28,715	0	48,793	55,794
Legal fees	25,448	30,709	0	56,157	57,933
Total	74,001	133,345	0	207,346	169,298

The actual fee charged by the National Audit Office for the audit of the Hospital's consolidated financial statements was £32,000 (2007: £32,000). Surveyors' Fees in respect of the revaluation of the Fixed Assets Register (£31,000) has led to the increase over last year, but has been partially offset by a reduction in consultancy fees.

16 Staff costs and numbers; Commissioners' emoluments

	Grant in Aid	Army Prize Money		Total group	Prior year
	Unrestricted	and Legacy fund			
	funds			2008	2007
	£			£	£
Salaries and wages	5,864,661	141,467		6,006,128	5,866,612
Social security costs	447,981	9,383		457,364	452,986
Pension costs	948,268	22,959		971,227	979,083
	7,260,910	173,809		7,434,719	7,298,681
Casual and agency pay	355,539	63,352		418,891	279,968
In-Pensioner pay	77,664	0		77,664	79,479
	7,694,113	237,161		7,931,274	7,658,128

Staff costs are allocated to the Hospital's activities as follows

	2008	2007
	£	£
Infirmery	2,698,606	2,621,614
Welfare and ceremonial costs	897,756	871,077
Director facilities management	2,641,106	2,630,011
Administrative support costs	824,244	943,400
Project management	117,371	83,620
Development Director	752,191	508,406
	<u>7,931,274</u>	<u>7,658,128</u>

The average monthly number of staff by department was as follows

	Part time	Full time	2008	2007
Care services	4	85	89	93
Adjutant	1	25	26	26
Director facilities management	7	97	104	109
Administrative support costs	5	10	15	15
Development Director	3	7	10	12
Projects	0	3	3	2
	<u>20</u>	<u>227</u>	<u>247</u>	<u>257</u>

Higher paid employees

Including the Governor and Lieutenant Governor, the number of employees whose remuneration was over £60,000 in 2007-2008 (excluding pension contributions) was as follows

	2008	2007
	Number	Number
£60,000 to £69,999	4	1
£70,000 to £79,999	1	1
	<u>5</u>	<u>2</u>

Three of these staff contribute to the PCSPS defined benefits scheme.

Commissioners' emoluments

None of the Commissioners receive any remuneration for acting as Commissioners. Travel expenses of £461 were claimed during the year. The Governor and Lieutenant Governor are Commissioners, and receive salaries in return for their work as executives of the Royal Hospital Chelsea. The Governor and Lieutenant Governor are employed on the basis of a five year tour subject to current employment legislation. Former Governors and Lieutenant Governors receive pensions from an unfunded defined benefit scheme: these costs are included in note 29 – Unfunded Scheme. This scheme is closed to new members.

The salary and pension entitlements of the Governor and the Lieutenant Governor were in the following bands

	Age at the year end	Salary £000	Real increase in pension at 60 during the year £000	Total accrued pension at 60 at the year end £000	Cash equivalent transfer value at start date £000	Cash equivalent transfer value at end date £000	Real increase in cash equivalent transfer value £000
<i>General The Lord Walker</i> Governor and the highest paid Commissioner	63	75-80	0 – 2.5	0 – 2.5	12	39	23
<i>Major General APN Currie</i> Lieutenant Governor and Chief Executive	59	60–65	0 – 2.5	2.5 – 5	28	57	22

The current pension scheme is the Principal Civil Service Pension Scheme.

17 Unrealised gains/(losses)

	2008 £	2007 £
Revaluation of listed investments	(660,982)	(1,257,100)
Revaluation of fixed assets	272,797,122	0
	272,136,140	(1,257,100)

The revaluation of fixed assets covered the operational estate and investment property.

18 Transfers between funds

No transfers took place between the Grant in Aid Fund and the Army Prize Money and Legacy Fund in 2007-2008. However, £2,193,907 was designated for the new Development Fund which the Commissioners subsequently set up at their meeting on 24 April 2008. This fund is specifically for use on the development program, and was created by transferring funds received from lease extension premiums.

19 Tangible fixed assets

The main development with regard to the book value of fixed assets has been the revaluation by Savills as at 1 April 2007, which led to an increase of £259,174,122 in the valuation of the operational estate. This includes an impairment of £649,417 in respect of one asset. As regards additions to the asset holding, Assets under Construction increased by £14,021,721 due to the good progress on the Margaret Thatcher Infirmary. Further details are given in the tables below

Heritage and Non Heritage assets

	Assets in course of construction £	Land and buildings Dwelling £	Land and buildings Non-dwelling £	Plant, machinery and equipment £	Vehicles £	Exhibits £	Total £
Cost or valuation							
At 1 April 2007	5,702,474	271,755,494	40,365,927	2,513,631	189,822	55,555	320,582,903
Revaluation	0	151,766,935	98,300,835	0	0	0	250,067,771
At 1 April 2007 (Restated)	5,702,474	423,522,429	138,666,762	2,513,631	189,822	55,555	570,650,674
Additions at cost	14,347,943	119,499	4,591	110,869	16,662	0	14,599,562
Reclassifications	(326,222)	0	326,222	0	0	0	0
Disposals	0	0	0	(49,151)	(19,061)	0	(68,212)
At 31 March 2008	19,724,195	423,641,928	138,997,575	2,575,348	187,423	55,555	585,182,024
Depreciation							
At 1 April 2007	0	6,990,837	3,200,561	1,089,567	74,064	0	11,355,029
Revaluation	0	(5,997,734)	(3,108,617)	0	0	0	(9,106,351)
At 1 April 2007 (Restated)	0	993,103	91,944	1,089,567	74,064	0	2,248,678
Charge for year	0	4,742,703	2,976,655	208,090	13,482	0	7,940,930
Disposals in year	0	0	0	(46,996)	(14,768)	0	(61,764)
At 31 March 2008	0	5,735,806	3,068,599	1,250,662	72,778	0	10,127,844
Net book value							
At 1 April 2007	5,702,474	264,764,657	37,165,366	1,424,064	115,758	55,555	309,227,874
At 1 April 2007 (Restated)	5,702,474	422,529,326	138,574,819	1,424,064	115,758	55,555	568,401,996
At 31 March 2008	19,724,195	417,906,122	135,928,976	1,324,686	114,645	55,555	575,054,179

The closing net book values are attributable to the Hospital's funds as follows

Grant in Aid Fund	0	0	0	226,903	75,986	0	302,889
Army Prize Money and Legacy Fund	19,724,195	417,906,123	135,928,976	1,053,380	38,658	55,555	574,706,888
Subsidiaries	0	0	0	44,402	0	0	44,402
	19,724,195	417,906,123	135,928,976	1,324,686	114,644	55,555	575,054,179

Heritage

	Assets in course of construction £	Land and buildings Dwelling £	Land and buildings Non-dwelling £	Plant, machinery and equipment £	Vehicles £	Exhibits £	Total £
Cost or valuation							
Cost or valuation							
At 1 April 2007	0	270,084,634	39,148,842	0	0	0	309,233,476
Revaluation	0	151,529,570	98,230,726	0	0	0	249,760,296
At 1 April 2007 (Restated)	0	421,614,204	137,379,568	0	0	0	558,993,772
Additions at cost	0	119,499	4,591	0	0	0	124,089
Reclassifications	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
At 31 March 2008	0	421,733,703	137,384,159	0	0	0	559,117,862
Depreciation							
At 1 April 2007	0	5,992,550	3,105,161	0	0	0	9,097,711
Revaluation	0	(5,972,938)	(3,105,161)	0	0	0	(9,078,099)
At 1 April 2007 (Restated)	0	19,612	0	0	0	0	19,612
Charge for year	0	4,398,511	2,313,760	0	0	0	6,712,270
Disposals in year	0	0	0	0	0	0	0
At 31 March 2008	0	4,418,123	2,313,760	0	0	0	6,731,883
Net book value							
At 1 April 2007	0	264,092,084	36,043,681	0	0	0	300,135,765
At 1 April 2007 (Restated)	0	421,594,592	137,379,568	0	0	0	558,974,160
At 31 March 2008	0	417,315,580	135,070,399	0	0	0	552,385,979

The closing net book values are attributable to the Hospital's funds as follows

Grant in Aid Fund	0	0	0	0	0	0	0
Army Prize Money and Legacy Fund	0	417,315,580	135,070,399	0	0	0	552,385,979
Subsidiaries	0	0	0	0	0	0	0
	0	417,315,580	135,070,399	0	0	0	552,385,979

Non-Heritage

	Assets in course of construction £	Land and buildings Dwelling £	Land and buildings Non-dwelling £	Plant, machinery and equipment £	Vehicles £	Exhibits £	Total £
Cost or valuation							
At 1 April 2007	5,702,474	1,670,860	1,217,085	2,513,631	189,822	55,555	11,349,427
Revaluation	0	237,365	70,110	0	0	0	307,475
At 1 April 2007 (Restated)	5,702,474	1,908,225	1,287,195	2,513,631	189,822	55,555	11,656,902
Additions at cost	14,347,943	0	0	110,869	16,662	0	14,475,473
Reclassifications	(326,222)	0	326,222	0	0	0	0
Disposals	0	0	0	(49,151)	(19,061)	0	(68,212)
At 31 March 2008	19,724,195	1,908,225	1,613,416	2,575,348	187,423	55,555	26,064,162
Depreciation							
At 1 April 2007	0	998,287	95,400	1,089,567	74,064	0	2,257,318
Revaluation	0	(24,796)	(3,456)	0	0	0	(28,253)
At 1 April 2007 (Restated)	0	973,491	91,944	1,089,567	74,064	0	2,229,065
Charge for year	0	344,193	662,895	208,090	13,482	0	1,228,660
Disposals in year	0	0	0	(46,996)	(14,768)	0	(61,764)
At 31 March 2008	0	1,317,683	754,839	1,250,662	72,778	0	3,395,962
Net book value							
At 1 April 2007	5,702,474	672,573	1,121,685	1,424,064	115,758	55,555	9,092,109
At 1 April 2007 (Restated)	5,702,474	934,734	1,195,251	1,424,064	115,758	55,555	9,427,836
At 31 March 2008	19,724,195	590,542	858,577	1,324,686	114,645	55,555	22,668,200

The closing net book values are attributable to the Hospital's funds as follows:

Grant in Aid Fund	0	0	0	226,903	75,986	0	302,889
Army Prize Money and Legacy Fund	19,724,195	590,542	858,577	1,053,380	38,659	55,555	22,320,909
Subsidiaries	0	0	0	44,402	0	0	44,402
	19,724,195	590,542	858,577	1,324,686	114,645	55,555	22,668,200

20 Listed investments

	2008 £	2007 £
Market value at 1 April 2007	12,371,879	11,884,228
Additions at cost	2,921,890	12,011,997
Cost of investments sold	(3,458,423)	(10,267,246)
Unrealised revaluation gain/(loss)	(660,982)	(1,257,100)
Interest on Newton's Deposit	89,099	0
Market value at 31 March 2008	11,263,463	12,371,879
Historical cost at 1 April 2007	11,493,404	9,748,653
Historical cost at 31 March 2008	11,045,970	11,493,404

The capital project deposit account is included in the historic cost and market value. At 1 April 2007 the account contained £2,071,747 and at 31 March 08 the account contained £2,160,846.

21 Investment property

	2008 £	2007 £
Freehold land and buildings at valuation	21,910,000	8,287,000

The Hospital's freehold investment property was valued by Savills as at 1 April 2007 on the open market value basis, in accordance with RICS guidance. This resulted in an increase in value of £13,623,000. All investment properties belong to the Army Prize Money and Legacy Fund.

22 Stocks

	Grant in Aid fund £	Army Prize Money and Legacy fund £	Hospital Funds £	Subsidiaries £	Total funds 2008 £	Total funds 2007 £
Trading stocks	0	0	0	36,597	36,597	30,952
Consumable stores						
Director Facilities Management	36,872	0	36,872	0	36,872	64,109
Total	36,872	0	36,872	36,597	73,469	95,061

Due to management restructuring within the Royal Hospital Chelsea all consumable stores are under the control of the Director of Facilities Management. Trading stocks are under the control of the Development Director.

23 Debtors

	Grant in Aid fund £	Army Prize Money and Legacy fund £	Hospital Funds £	Subsidiaries £	Total funds 2008 £	Total funds 2007 £
Sundry debtors	36,920	294,649	331,569	345,147	676,716	130,027
Prepayments	70,435	18,563	88,998	0	88,998	374,010
Accrued income	0	34,319	34,319	0	34,319	
Total	107,355	347,531	454,886	345,147	800,033	504,037

This table includes intercompany balances of £226,760 (2007: £300,558).

24 Cash at bank and in hand

	Grant in Aid fund £	Army Prize Money and Legacy fund £	Hospital Funds £	Subsidiaries £	Total funds 2008 £	Total funds 2007 £
Term deposits	0	4,000,000	4,000,000	0	4,000,000	3,300,000
Other accounts and cash in hand	3,861	1,420,562	1,424,423	3,024,990	4,449,313	11,805,679
	3,861	5,420,562	5,424,423	3,024,990	8,449,313	15,105,679

25 Creditors: amounts falling due within one year

	Grant in Aid fund £	Army Prize Money and Legacy fund £	Hospital Funds £	Subsidiaries £	Total funds 2008 £	Total funds 2007 £
Sundry creditors	145,163	252,348	397,511	1,167,937	1,565,448	794,726
Accrued charges	189,531	1,894,458	2,083,989	0	2,083,989	746,397
Tax creditors	0	0	0	0	0	69,734
Finance lease	46,488	0	46,488	0	46,488	46,488
Other creditors	0	69,164	69,164	0	69,164	317,506
Total	381,182	2,215,970	2,597,152	1,167,937	3,765,089	1,974,851

This table includes intercompany balances of £226,760 (2007: £300,558).

26 Creditors falling due in over one year

Creditors falling due in over one year comprise a number of balances. Within Grant in Aid the balance of £131,715 is in respect of a finance lease for laundry equipment. The balance in the Army Prize Money and Legacy Fund of £534,334 (2007: £276,873) consists of three items as follows

- Funds held by the Hospital on behalf of the In-Pensioners' Club to the value of £201,670.
- Funds held on behalf of the Royal Hospital Chapel to the value of £95,196. These are covered in note 33 below.
- Retention payments in respect of the construction contract for the infirmary, where these are due in over one year. These have a value of £237,468.

27 Provisions

	Grant in Aid fund	Army Prize Money and Legacy fund	Hospital Funds 2008	Subsidiaries	Total funds 2008	Total funds 2007
	£	£	£	£	£	£
Provisions						
1 April 2007	0	0	0	0	0	0
Used in Year	0	0	0	0	0	0
Reversed in Year	0	0	0	0	0	0
Provided during Year (Charged to SOFA)	0	87,111	0	0	87,111	0
31 March 2008	0	87,111	0	0	87,111	0

Provisions were raised in the Army Prize Money and Legacy Fund in respect of the redundancies of staff in the Appeals Section and the Head of Future Development. The decision on redundancies was taken in 2007-2008, and the staff have received written notification.

28 Related Party Transactions

The President of the In Pensioners Club is the Adjutant of the Royal Hospital, and the Vice President and officers of the Club are drawn from the Adjutant's staff and the In Pensioners.

The Club placed £250,000 with the Hospital on 1 September 1999, in exchange for which the Hospital agreed to meet certain of the Club's costs. The loan now stands at £201,670.

The Governor is Chairman of the Army Benevolent Fund. Transactions with the Army Benevolent Fund during the year amounted to £1,311 (2007: £3,370) in respect of provision of facilities.

The register of interests for Commissioners and Senior Staff is updated annually.

29 Pensions

During the year the Hospital operated three pension schemes, as follows.

Principal Civil Service Pension Scheme (PCSPS)

Pension benefits for 177 members of staff are provided through the Civil Service pensions arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). Under the new arrangements, new entrants after 1 October 2002 were not able to join the existing PCSPS, which has been renamed 'classic' and has become a closed scheme. Existing members of the PCSPS were given the option of remaining within 'classic'; electing to transfer to 'premium', the new defined benefits scheme; or choosing 'classic plus', whereby they transferred to 'premium' but only in respect of service after 1 October 2002. New entrants after 1 October 2002 have been able to choose between membership of 'premium' or joining a good quality 'money purchase' stakeholder-based arrangement with a significant employer contribution (partnership pension account).

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Royal Hospital Chelsea is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk)

The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependant's benefits. The Royal Hospital Chelsea recognises the expected costs of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future pension benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the Royal Hospital Chelsea recognises the contributions payable for the year.

For 2007-2008, employers' contributions of £727,742 were payable to the PCSPS (2006-2007 £750,551) at one of four rates in the range of 17.1 to 25.5 per cent of pensionable pay, based on salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. Rates will remain the same next year subject to revalorisation of the salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

National Health Service Pension Scheme (NHSPS)

The Hospital has 60 members of staff in the NHS pension scheme which is an unfunded multi-employer defined benefit scheme, but the Hospital is unable to identify its share of the underlying assets and liabilities. The scheme is subject to a full valuation every five years. The last valuation took place as at 31 March 2004. Between valuations, the Government Actuary provides an update of the scheme's liabilities on an annual basis. The latest assessment of the liabilities of the scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed at the NHS Pensions Agency website at www.nhs.gov.uk. This is a statutory, defined benefit scheme, the provisions of which are contained in the NHS Pension Scheme Regulations (SI 1995 No. 300). Under these regulations the Hospital is required to pay an employer's contribution, currently 14 per cent of pensionable pay, as specified by the Secretary of State for Health. For 2007-2008, employers' contributions of £220,423 were payable to the NHS Pension Scheme (£220,391 for 2006-2007). These contributions are charged to operating expenses as and when they become due.

Employees pay 6 per cent of pensionable pay. Employer and employee contributions are used to defray the cost of providing the scheme benefits. These are guaranteed by the Exchequer, with the liability to pay benefits falling to the Secretary of State, not to the Royal Hospital Chelsea. Index linking costs under the Pensions (Increase) Act 1971 are met directly by the Exchequer. The scheme is notionally funded. Scheme accounts are prepared annually by the Department of Health and are examined by the Comptroller and Auditor General.

The scheme has a money purchase Additional Voluntary Contribution (AVC) arrangement provided by an approved panel of life companies. Under the arrangement the Royal Hospital Chelsea can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

Unfunded Scheme

Former Governors, Lieutenant Governors and Captains of Invalids are members of an unfunded defined benefit scheme. The scheme has 18 retired members (or their widows) and is now closed to new entrants. The scheme is a final salary scheme with benefits based on number of years service and final salary. Pensions paid during the year amounted to £47,498 (2007: £47,798).

Financial Reporting Standard 17 (FRS 17) – Retirement Benefits

The latest FRS17 valuation of the liabilities in respect of the unfunded pension entitlements was carried out as at 31 March 2008, by an independent qualified actuary, using the key FRS17 assumptions set out in the following table, which reflect the nature of the liabilities. The table also sets out as at 31 March 2007 and 31 March 2008 the present value of the FRS17 liabilities, which is equal to the gross pension liability. No further benefits are currently being earned under this arrangement.

Assumptions	31 March 2008	31 March 2007	31 March 2006
Price inflation/pension increases	3.2% pa	3.0% pa	3.0% pa
Discount rate	7.2% pa	5.8% pa	5.0% pa

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 60 would be expected to live for a further 27 years (2007: 25 years). An increased allowance has been made for improvements in life expectancies.

Balance sheet £'000	31 March 2008	31 March 2007
Gross pension liability	466	467

The gross pension liability resides within the Royal Hospital Chelsea's unrestricted funds.

The gross pension liability under FRS17 moved as follows during the year

	Year to 31 March 2008 £000	Year to 31 March 2007 £000
Gross pension liability at year start	467	514
Current service cost	0	0
Pensions and lump sum paid	(47)¹	(47) ²
Pension finance costs/(income)	26	25
Actuarial (gain)/loss on defined benefit pension scheme	20	(25)
Gross pension liability at year end	466	467

The following amounts have been included as a charge to pension finance costs and have been allocated across the 'resources expended' categories of the SOFA

	Year to 31 March 2008 £000	Year to 31 March 2007 £000
Interest on gross pension liability	26	25

The following amounts have been recognised within the 'other recognised gains/losses' category of the SOFA under the heading 'actuarial gains and losses on defined benefit pension scheme':

	Year to 31 March 2008 £000	Year to 31 March 2007 £000
Experience gains and (losses) arising on liabilities	(9)	(2)
Gain or (loss) due to changes in assumptions underlying the present value of liabilities	(11)	27
Actuarial gain/(loss) recognized in the SOFA (total of above)	(20)	25

1 Rounded down from £47,498.

2 Rounded down from £47,798.

The history of gains and losses is as follows

	Year to 31 March 2008	Year to 31 March 2007	Year to 31 March 2006	Year to 31 March 2005	Year to 31 March 2004
Experience gains/(losses) on liabilities (£000)	(9)	(2)	2	(13)	(4)
Percentage of the present value of liabilities	(2%)	0%	0%	(3%)	(1%)
Total amount of gains and losses (£000)	(20)	25	(19)	(19)	(26)
Percentage of the present value of liabilities	(4%)	5%	(4%)	(4%)	(5%)

30 Financing lease

Grant in Aid creditors falling due in over one year represent the remaining liability on a financing lease on the laundry operation. Details are as follows

	2008 £	2007 £
Two to five years	131,713	178,202
Total	131,713	178,202

31 Operating leases

Rentals payable under operating leases are charged to the Statement of Financial Activities as incurred over the term of the lease.

At the year end, the Hospital had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2008 £	Other 2008 £	Land and buildings 2007 £	Other 2007 £
<i>Operating leases which expire</i>				
within one year	0	0	0	0
In the second to fifth years inclusive	0	29,712	0	29,712
over five years	0	0	0	0

32 Capital commitments

	2008 £	2007 £
Authorised and contracted	6,960,821	20,291,146
	6,960,821	20,291,146

Capital commitments have reduced since last year due to the good progress on completion of the Margaret Thatcher Infirmary. The closing balance covers the remaining construction costs for the building.

33 Restricted funds

a *Army Prize Money and Legacy Fund.*

The sum of £95,196 is held as a restricted fund on behalf of the Royal Hospital Chelsea Chapel fund.

b *Subsidiaries*

Chelsea Pensioner (RH) Limited.

This company holds a low level of reserves and has no restricted funds. Most of its profits are paid directly to Royal Hospital Appeal Limited under the gift aid rules.

Royal Hospital Chelsea Appeal Limited.

This company held restricted funds amounting to £500,650 intended for use in funding the upgrade to the Long Wards.

34 Derivatives and Other Financial Instruments

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

The Royal 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 the 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.

In aggregate the performance of the fund managers is compared on a total return basis with the FT All-Share Index, the FT All Stock Index, Cash Deposit and up until 4 July 2007 the Wood MacKenzie Unconstrained (ex-Property) Charities Benchmark. From 4 July 2007, this benchmark was replaced by the Composite Index-Based Benchmark.

Interest rate risk

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

Currency risk

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

Market price risk

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

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

35 Post balance sheet events

There were no post balance sheet events.

36 Personal Data

During the year the Government made a commitment to enhance transparency with Parliament and the public about action to safeguard personal data. During 2007-2008 the Royal Hospital Chelsea was unaware of incidents resulting in the unauthorised disclosure of protected personal data.

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