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Charity Number: 1135918

Company Number: 07100967

**CHINA FLEET TRUST**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MAY 2012**

**BISHOP FLEMING**  
**Chartered Accountants**  
**And Statutory Auditors**  
**Cobourg House**  
**Mayflower Street**  
**Plymouth**  
**Devon**  
**PL1 1LG**

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COMPANIES HOUSE

# **China Fleet Trust**

## **Financial Statements**

**Year Ended 31 May 2012**

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## **China Fleet Trust**

### **Trustees' Report**

**Year Ended 31 May 2012**

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#### **LEGAL AND ADMINISTRATIVE INFORMATION**

The trustees, who are also directors for the purposes of company law, present their report and the financial statements of the charity for the year ended 31 May 2012

<b>Registered charity number</b>	1135918
<b>Registered office</b>	China Fleet Country Club Saltash Cornwall PL12 6LJ
<b>Trustees</b>	<b>Chairman</b> Vice Admiral Sir R W F Gerken KCB CBE DL Mrs H Bailey P W S C Brockman Lt Col N Bruce-Jones RM Mr P J Crump Mrs N Duncan Commander D Knight Captain D G Littlejohns CBE MBA Warrant Officer 1 (MAA) A Sharpe
<b>Chief Executive Officer</b>	Mr D W O'Sullivan
<b>Auditor</b>	Bishop Fleming Chartered Accountants & Statutory Auditor Cobourg House Mayflower Street Plymouth Devon PL1 1LG
<b>Bankers</b>	HSBC Forder House 20 William Prance Road Plymouth Devon PL6 5WR
<b>Solicitors</b>	Bond Pearce Ballard House West Hoe Road Plymouth Devon PL1 3AE

## **China Fleet Trust**

### **Trustees' Report**

#### **Year Ended 31 May 2012**

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The trustees present their annual report and the audited financial statements for the year ended 31 May 2012

#### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

China Fleet Trust ("the Trust") is a registered charity, number 1135918 and is governed by its Memorandum of Association dated 10 December 2009 and Articles of Association dated 10 December 2009

The Trust is governed and directed by its board of trustees with operational management delegated to the Chairman and a Chief Executive. The board of trustees meet as required but at least twice a year. The Trust maintains an office at Saltash where the Chief Executive executes his duties. The Chairman makes regular visits to the office to deal with matters arising and is a co-signatory with the Chief Executive plus two other Trustees for signing cheques. The declaration of Trust requires that the total number of trustees shall not exceed nine or be less than four. New trustees are appointed by means of an invitation extended by the existing trustees. The trustees are listed on page 2.

The facilities of the Club are operated by a wholly owned subsidiary company, China Fleet Country Club Limited ("the company"). The Trust negotiates bi-annually a non-exclusive licence agreement for the company to operate the Club and act as agent for the Trust in providing on-site leisure and recreational facilities for the beneficiaries. Mr P W S C Brockman is the chairman of the board of directors of the company and the board of trustees' appointed representative.

The China Fleet Club Beneficiaries Committee is chaired by a Trustee, Warrant Officer Alex Sharpe. The managing director of the company, Mr D Bennett (with effect from 14 February 2012) attends meetings of the trustees and meetings of the China Fleet Club Beneficiaries Committee.

The Trust has adopted the Statement of Recommended Practice "Accounting and Reporting by Charities" 2005, as described on page 15.

#### **INDUCTION AND TRAINING OF TRUSTEES**

The trustees have recognised the importance of implementing an effective induction procedure, and this has been formalised by introducing a structured induction program for new trustees. This helps the individual to integrate effectively into the charity, gain a good awareness of their new responsibilities with regard to the governing documents, the business environment, its charitable objectives on behalf of the beneficiaries, the relationship between Club and Trust and how the charity was originally formed. The Chairman of the Trustees conducts the induction, provides a tour of the facilities and introduces key staff. By introducing a structured checklist to the process, it ensures no areas are overlooked, this includes:

- Completion of engagement forms for the Trustees' Register (Code of Conduct, Register of Interests etc)
- Completion of a Skills Audit, to enable the Trust to assess and monitor its skills levels
- Provide copies of key documents, including Trust Deed, License Agreement, Minutes of last meeting, Conflicts of Interest Policy
- Explanation of Club history
- Explanation of organisational diagram
- Discussion regarding Club & Trust financial position
- Summary of future plans and developments, incorporating the Strategic Plan

The overall outcome is that new appointees are settled more effectively and comfortably into their role, they have a better and more thorough understanding of the business environment and activities, its aims and objectives, which should maximise their capability to contribute fully to the trustee forum when they attend Trust meetings.

Training requirements would be identified as part of the induction process, and the skills audit would help to highlight any significant needs. Training can be provided where necessary, and would include one-to-one coaching within specific areas, spending time with key staff to gain a better understanding, training courses etc.

## **China Fleet Trust**

### **Trustees' Report**

**Year Ended 31 May 2012**

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#### **OBJECTIVES AND ACTIVITIES**

The objective of the Trust is to provide leisure and recreational facilities for non-commissioned officers and ratings of the Naval forces, their families and dependants (collectively known as "the beneficiaries") thus satisfying the public benefit test (the promotion of the efficiency of the armed forces of the crown). The declaration of trust provides the trustees with wide discretionary investment powers to achieve the objective of the Trust.

To further its objective the Trust has developed the China Fleet Country Club at Saltash ("the Club") and also owns a number of timeshares in the United Kingdom.

#### **PUBLIC BENEFIT**

The Trustees have paid due regard to the Charity Commission's guidance on public benefit in deciding what activities the charity should undertake. The Trustees consider that their charitable activities fall within the descriptions of charitable purposes set out in the Charities Act and are for the public benefit as set out below.

"The promotion of the efficiency of the Armed Forces of the Crown, or of the efficiency of the police, fire and rescue services or ambulance services"

The Charity satisfies the public benefit test in the provision of sporting, leisure and relaxation facilities, including accommodation for the use of their beneficiaries, being non-commissioned personnel of the Royal Navy and Royal Marines, and their immediate families.

The Trustees believe that by providing such facilities the beneficiaries return to active duty refreshed, relaxed and ready to face their next task, thus maintaining and increasing their efficiency in the defence of the realm.

The Trustees have considered the matter of detriment and harm and are content that neither arises from the Trust's charitable activities.

#### **FINANCIAL REVIEW**

The trustees present their report and financial statements for year ended 31 May 2012.

At 31 May 2012 there were 13,819 beneficiaries registered with the Club compared to 12,799 at 31 May 2011 (China Fleet Club UK Charitable Trust).

The consolidated statement of financial activities for the year shows the net movement in funds for the year was a deficit of £123,000 (2011 £139,000 surplus).

The charity's wholly-owned trading subsidiary, the China Fleet Country Club Limited, carries out non-charitable trading activities for the charity. During the year the company made gift aid payments totalling £110,248 (2011 £160,400) transferring all its taxable profits to the charity. The China Fleet Country Club Limited reported no profits (2011 £nil) for the year.

#### **ACHIEVEMENTS AND PERFORMANCE**

The Strategic Plan recognised that the financial stability of the charity is dependent upon the good husbandry of the charity's own assets and the profitability and commerciality of its trading subsidiary.

#### **Holiday Portfolio**

The Trust owns a number of allocated timeshare weeks in the UK, together with a holding in the Holiday Property Bond (HPB) inherited from the China Fleet Club Hong Kong upon its closure. These provide a varying number of holidays per year to the beneficiaries of the Trust. Venues include Cornwall, Devon, Dorset, Wales, Scotland, the Lake District and France together with a choice of alternative locations within the EU.

The holidays are marketed on a web-based approach. This seems to be the most efficient and economical means of generating both awareness and the ability to book holidays by the beneficiaries throughout the world.

## **China Fleet Trust**

### **Trustees' Report**

#### **Year Ended 31 May 2012**

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regardless of where they are currently located. Many beneficiaries have taken advantage of the excellent value holidays available thus further underlining the Trust's charitable objectives.

All fees charged for the holidays are kept to a minimum to cover administration and maintenance costs etc.

#### **Trading Subsidiary (China Fleet Country Club Limited)**

The year's financial performance was slightly down on the previous year, although the trading company still made a profit, enabling the trading company to make gift aid payments to the Trust.

Profits have been achieved despite the country being in a recession that has had an effect on the conference, accommodation and golf elements of the business.

A major effort was made on cost cutting, which has seen reductions in cost of sales and administration expenses in the period. The trading company's main cost, staff salaries, have risen however. Despite this, the company believe they are now well placed as the slow recovery from recession proceeds.

Going forward, the trading subsidiary will continue to investigate additional income streams while maintaining a high quality facility to the beneficiaries and members, at the same time continuing to aim to minimise costs and as a result forecasting further gift aid payments to the Trust in the forthcoming financial year.

#### **PLANS FOR THE FUTURE**

##### *Modern Leisure Facility*

One of the trustees' aims is to maintain a modern leisure facility within the trading subsidiary for the benefit of the beneficiaries. The trustees are mindful that the facility must also be operated commercially to create profits to Gift Aid to the charity. To this effect, the trustees and the appointed directors of the trading subsidiary are charged with maintaining the upkeep and evolution of the facility in today's competitive marketplace to retain and attract new beneficiaries and members.

##### *Continued inward investment into the trading subsidiary*

The directors of the trading company agree a budget of capital works for the forthcoming year with the trustees at their meeting, these budgets will quantify the plans for the future evolution of the trading company's facility. The trading company is actively looking for new income streams to complement those traditionally obtained, the effect of this activity will protect the trading company's profitability while maintaining the charity's asset.

##### *Ongoing strategic plan*

The trustees also review their Strategic Plan on an annual basis, which gives them an opportunity to consider the current business environment, including strengths and weaknesses and opportunities and threats.

##### *Management of Investment portfolio*

The investment portfolio is managed by Sarasin & Partners LLP. The Fund Manager attends one trustees' meeting each year to discuss how the portfolio has performed and propose the direction of the investment for the future.

#### **RISK MANAGEMENT**

The Trustees meet regularly to assess business risks and implement risk management strategies. This involves identifying the types of risks the charity faces, prioritising them in terms of potential impact and likelihood of occurrence and identifying means of mitigating the risks. As part of this process the trustees have reviewed the adequacy of the charity's current internal controls. The trustees are pleased to report that the charity's internal financial controls, in particular, comply in all respects with guidelines issued by the Charity Commission. The trustees continue to promote procedures to ensure that forward looking, continuous risk management processes become part of the operating culture of the charity.

## **China Fleet Trust**

### **Trustees' Report**

#### **Year Ended 31 May 2012**

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#### **RESERVES POLICY**

The trustees have established that the level of unrestricted general reserves (that is those funds that are freely available and does not include the designated land and buildings reserve) are held to cover the following

- The continuing need to maintain the fabric and plant licensed by the trading subsidiary
- To cover the need to finance the evolution of the facility to create new and innovative income streams
- To provide a buffer against a slump in the economic market place resulting in a dramatic fall in the market value of the investments
- To provide for a contingency for the trading subsidiary should it become necessary

The trustees consider that a target sum of £1,500,000 would be sufficient for these purposes. As at 31 May 2012 this designated unrestricted investment reserve was £964,000 (2011 £940,000) in addition to the operational general reserves of £ NIL (2011 £139,000). The trustees plan to build up the unrestricted general reserves to the target sum over a number of years whilst maintaining operational general reserves.

#### **INVESTMENT POLICY**

In the past the trustees reviewed the investment policy of the Trust and originally placed £800,000 under the management of specialist investment advisers. The trustees decided that these funds should be allocated to a designated fund to provide reserves for the replacement and long term maintenance of buildings and equipment. Following this decision, the value of £894,000 of the investment funds at 31 May 1999 were transferred from the Trust's general fund to a new designated fund. Following additions and disposals to this fund and changes in market value, this fund amounted to £890,732 as at 31 May 2012 (2011 £971,705).

The Trust's designated reserve is invested in securities managed by Sarasin & Partners LLP, with a portfolio mandate to follow a medium level of risk.

#### **TRUSTEES' RESPONSIBILITIES**

The Trustees are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity at the end of the year and of its financial activities during the year then ended.

In preparing those financial statements, the trustees are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgments and estimates that are reasonable and prudent,
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the financial statements comply with applicable law and United Kingdom Generally Accepted Accounting Practice. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

## China Fleet Trust

### Trustees' Report

**Year Ended 31 May 2012**

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In so far as the trustees are aware

- There is no relevant audit information of which the charity's auditors are unaware
- We as trustees have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information

### AUDITORS

A resolution to re-appoint auditors for the ensuing year will be proposed at the annual general meeting

Registered Office  
China Fleet Country Club  
Saltash  
Cornwall  
PL12 6LJ

Signed on behalf of the Board on

30/11/2012



Sir Robert Gerken KCB CBE DL  
Chairman China Fleet Trust



## **China Fleet Trust**

### **Independent Auditor's Report to the Trustees**

#### **Year Ended 31 May 2012**

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We have audited the financial statements of China Fleet Trust for the year ended 31 May 2012 on pages 9 to 23. These financial statements have been prepared under the accounting policies set out on pages 15 to 16.

This report is made solely to the charitable company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the trustees and auditors**

The trustees' responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practices and have been prepared in accordance with the Companies Act 2006. We also report to you on whether in our opinion the information given in the Trustees' Annual Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charity has not kept adequate accounting records, if the financial statements are not in agreement with the accounting records and returns if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remunerations specified by law are not made.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

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

**China Fleet Trust**

**Independent Auditor's Report to the Trustees**

**Year Ended 31 May 2012**

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**Opinion**

In our opinion

the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 May 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,

the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,

the financial statements have been properly prepared in accordance with the Companies Act 2006, and

the information given in the Trustees Annual Report is consistent with the financial statements



Charles Thomson FCA (Senior Statutory Auditor)

for and on behalf of

**Bishop Fleming**

Chartered Accountants

And Statutory Auditors

Cobourg House

Mayflower Street

Plymouth

Devon PL1 1LG

Date *30 November 2012*

# China Fleet Trust

## Consolidated Statement of Financial Activities (including income and expenditure)

Year Ended 31 May 2012

		<i>Designated Fund £000</i>	<i>General Fund £000</i>	<i>Total 2012 £000</i>	<i>Total 2011 £000</i>
<b>Incoming resources</b>	<b>Note</b>				
<b>Incoming resources from generated funds</b>					
<b>Activities for generating funds</b>					
China Fleet Country Club Limited	2	-	3,356	3,356	3,292
VAT refunds		-	-	-	-
<b>Investment income</b>					
Interest receivable					
Trust		-	-	-	-
Company		-	-	-	-
Dividend income		24	-	24	32
<b>Incoming resources from charitable activities</b>					
Direct charitable income from beneficiaries		-	413	413	415
<b>Total incoming resources</b>		<u>24</u>	<u>3,769</u>	<u>3,793</u>	<u>3,739</u>
<b>Resources expended</b>					
<b>Costs of generating funds</b>					
China Fleet Country Club Limited	2	-	3,246	3,246	3,132
Investment management costs		-	-	-	-
<b>Costs of Charitable activities</b>					
Direct charitable costs of providing leisure and recreational facilities to beneficiaries	3	-	561	561	573
Governance costs	4	-	9	9	10
<b>Total resources expended</b>		<u>-</u>	<u>3,816</u>	<u>3,816</u>	<u>3,715</u>
<b>Net incoming resources for the year before other recognised gains and transfers</b>		<u>24</u>	<u>(47)</u>	<u>(23)</u>	<u>24</u>
(Losses)/Gains on investment assets		(100)	-	(100)	115
Transfers between funds	14	92	(92)	-	-
<b>Net movement in funds</b>		<u>16</u>	<u>(139)</u>	<u>(123)</u>	<u>139</u>
Fund balances at 1 June 2011		7,500	139	7,639	7,500
<b>Total funds carried forward</b>	<b>13</b>	<u>7,516</u>	<u>-</u>	<u>7,516</u>	<u>7,639</u>

All of the above are derived from continuing activities, and all funds are unrestricted income funds  
All gains and losses recognised in the year are included in the Consolidated Statement of Financial Activities

The notes on pages 15 to 23 form part of these financial statements

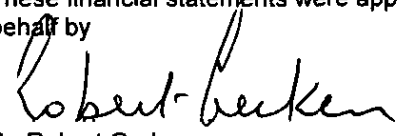
# China Fleet Trust

## Group and Trust Balance Sheets

Year Ended 31 May 2012

		Group		Trust	
	Note	2012 £000	2011 £000	2012 £000	2011 £000
<b>FIXED ASSETS</b>					
Tangible fixed assets	6	6,837	6,932	6,837	6,932
Investments	7	954	1,035	954	1,035
		<u>7,791</u>	<u>7,967</u>	<u>7,791</u>	<u>7,967</u>
<b>CURRENT ASSETS</b>					
Stocks	8	106	99	-	-
Debtors	9	112	95	35	60
Cash at bank and in hand		169	182	42	52
		<u>387</u>	<u>376</u>	<u>77</u>	<u>112</u>
<b>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	10	(662)	(704)	(227)	(315)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(275)</u>	<u>(328)</u>	<u>(150)</u>	<u>(203)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,516</u>	<u>7,639</u>	<u>7,641</u>	<u>7,764</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>		-	-	-	-
<b>NET ASSETS</b>		<u>7,516</u>	<u>7,639</u>	<u>7,641</u>	<u>7,764</u>
<b>UNRESTRICTED INCOME FUNDS</b>					
General fund		-	139	125	264
Designated fund		7,516	7,500	7,516	7,500
<b>TOTAL FUNDS</b>	13	<u>7,516</u>	<u>7,639</u>	<u>7,641</u>	<u>7,764</u>

These financial statements were approved by the Board of Trustees on 30/11/12 and are signed on their behalf by

  
Sir Robert Gerken  
Trustee

The notes on pages 15 to 23 form part of these financial statements

**China Fleet Trust**

**Group Cash Flow Statement**

**Year Ended 31 May 2012**

	<b>Notes</b>	<b>2012 £000</b>	<b>2011 £000</b>
Net cash inflow from operating activities	(i)	177	586
Returns on investments and servicing of finance	(ii)	23	31
Taxation	(iii)	-	-
Capital expenditure and financial investment	(iv)	(131)	(335)
Financing	(v)	100	(100)
<b>MOVEMENT OF CASH IN THE YEAR</b>		<b>169</b>	<b>182</b>
<b>ANALYSIS OF INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2012 £000</b>	<b>2011 £000</b>
The Trust		42	52
China Fleet Country Club Limited		127	130
		<b>169</b>	<b>182</b>

**China Fleet Trust**

**Notes to the Group Cash Flow Statement**

**Year Ended 31 May 2012**

<b>(i) RECONCILIATION OF NET INCOMING RESOURCES BEFORE OTHER GAINS TO NET CASHFLOW FROM OPERATING ACTIVITIES</b>		
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Net incoming resources	(23)	24
Interest receivable	-	-
Dividends receivable	(24)	(32)
Interest payable	1	1
	<hr/>	<hr/>
Net (outgoing)/incoming resources excluding dividends receivable, interest receivable and corporation tax	(46)	(7)
Impairment write down on investments	9	-
Depreciation	107	117
Loss/(profit) on sale of tangible fixed assets	73	66
(Increase)/decrease in stocks	(7)	(99)
Decrease/(increase) in debtors	(17)	(95)
(Increase)/decrease in creditors	58	604
	<hr/>	<hr/>
<b>Net inflow from operating activities</b>	<b>177</b>	<b>586</b>
	<hr/>	<hr/>
<b>(ii) RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Interest received	-	-
Dividends received	24	32
Interest payable	(1)	(1)
	<hr/>	<hr/>
	<b>23</b>	<b>31</b>
	<hr/>	<hr/>
<b>(iii) TAXATION</b>		
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
UK corporation tax	-	-
	<hr/>	<hr/>

# China Fleet Trust

## Notes to the Group Cash Flow Statement

Year Ended 31 May 2012

### (iv) CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2012 £000	2011 £000
Payments to acquire tangible fixed assets and investments	(131)	(387)
Receipts from sale of tangible fixed assets and investments	-	52
	<u>(131)</u>	<u>(335)</u>
Payments to acquire tangible fixed - assets	110	328
- investments	21	59
	<u>131</u>	<u>387</u>
Receipts from sale of tangible fixed assets and investments		
Disposals cost	182	200
Depreciation on disposal	(93)	(116)
Profit/(loss) on disposals	(73)	(66)
Investments		
Disposals	2	38
Net realised gains	1	1
Other investment movements	(19)	(5)
	<u>0</u>	<u>52</u>

### (v) FINANCING

	2012 £000	2011 £000
Bank loans advanced in year	-	100
Repayments of capital elements of bank loans	100	-
	<u>(100)</u>	<u>100</u>

### (vi) RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET CASH

	2012 £000	2011 £000
Increase/(decrease) in cash in the year	169	182
Cash inflow from change in debt	100	(100)
	<u>269</u>	<u>82</u>
Movement in net cash in the year	82	-
Net cash/(debt) at the start of the year		
	<u>187</u>	<u>82</u>

### vii) ANALYSIS OF NET CASH

	At 1 June 2011 £000	Cashflow £000	At 31 May 2012 £000
Cash at bank and in hand	182	(13)	169

# China Fleet Trust

## Notes to the Financial Statements

Year Ended 31 May 2012

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### 1 ACCOUNTING POLICIES

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 (SORP 2005) and the Companies Act 2006

#### **Basis of consolidation**

The group financial statements consolidate the financial statements of The China Fleet Trust and its wholly owned trading subsidiary, China Fleet Country Club Limited. The subsidiary company acts as agent for the Trust in providing leisure and recreational services to the Trust's beneficiaries at the China Fleet Country Club, Saltash.

The results arising from the subsidiary company's provision of leisure and recreational services to non-beneficiaries is included in the appropriate headings in the consolidated statement of financial activities.

A separate statement of financial activities for the Charity itself is not presented because the Charity has taken advantage of the exemptions afforded by paragraph 397 of the SORP.

#### **Incoming resources**

Charges made to beneficiaries for the provision of goods and certain services are included in direct charitable income, together with amounts charged for the use of the Trust's timeshare properties. Income from trading is recognised on a receivable basis, and is deferred if appropriate.

#### **Resources expended**

Resources expended are recognised in the period in which they are incurred. Resources expended are allocated to a particular activity where the cost relates directly to that activity. Costs attributable to the provision of leisure and recreational facilities to beneficiaries are included as direct charitable expenditure.

#### **Pension costs**

The subsidiary company operates a defined contribution group personal plan scheme. The assets of the scheme are held separately from those of the subsidiary company in independently administered funds. The amounts charged to the consolidated statement of financial activities and the subsidiary company's profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### **Fund accounting**

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the objectives of the charity. The trustees have set up a designated fund to provide reserves for the long term maintenance and replacement of buildings and equipment. This is set out in note 14.

#### **Fixed assets and depreciation**

The Trust's land and buildings are valued by an independent valuer and such valuations are reviewed on an annual basis.

Other fixed assets are recorded at cost or, in cases where fixed assets have been donated to the Trust, at open market value at the time of acquisition. Cost includes attributable irrecoverable VAT where appropriate. Depreciation is provided to write off the cost of tangible fixed assets over their useful lives, on the following bases:

Buildings	-	Held at market value
Timeshares held in perpetuity	-	2% straight line
Timeshares held for finite periods	-	over the term of ownership, straight line
Equipment and furnishings	-	15% straight line
Computer hardware	-	25% straight line
Computer software	-	33 1/3% straight line
Motor vehicles, tractors and mowers	-	20% straight line



## **China Fleet Trust**

### **Notes to the Financial Statements**

**Year Ended 31 May 2012**

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#### **1 ACCOUNTING POLICIES (continued)**

No depreciation is provided on freehold land and buildings as the residual value is not considered materially different to the carrying value. Freehold property is reviewed annually for any impairment.

##### **Operating lease and finance lease agreements**

Where the title of the asset, and not all of the risks and rewards of ownership pass to the group, and the intention of the board is to return the asset at the end of the primary period, the lease is treated as an operating lease. Rental charges are charged to the profit and loss on a straight line basis over the life of the leases.

Where the intention is to retain the asset beyond the primary lease period and substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future installments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future installments.

All other leases are accounted for as 'operating leases' and rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

##### **Investments**

The investment in the wholly owned trading subsidiary is stated at cost. Other investments are stated at market value with any realised and unrealised gains or losses being included in the statement of financial activities.

Income is recognised when dividends from quoted investments are received.

##### **Value Added Tax**

The Trust is partially exempt for the purposes of Value Added Tax ("VAT"). Irrecoverable VAT is allocated to fixed assets and expenditure categories as appropriate.

##### **Taxation**

Based on its status as a registered charity and the use of funds for charitable purposes, the Trust is exempt from corporation tax.

For the subsidiary company, the charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

## China Fleet Trust

### Notes to the Financial Statements

#### Year Ended 31 May 2012

#### 2 NET INCOME FROM TRADING ACTIVITIES OF SUBSIDIARIES

The Trust has a wholly owned trading subsidiary, China Fleet Country Club Limited, which is incorporated in the UK. The subsidiary operates the China Fleet Country Club at Saltash and acts as agent for the Trust in providing on-site leisure and recreational facilities to beneficiaries. A summary of the subsidiary company's trading results for the year ended 31 May 2012 is shown below. Audited accounts for the subsidiary company are filed with the Registrar of Companies.

	2012 £000	2011 £000
<b>Profit and loss account</b>		
Turnover	3,356	3,292
Costs		
Raw materials and consumables	(438)	(448)
Staff costs	(1679)	(1,548)
Other operating charges	(1128)	(1,135)
Interest payable	(1)	(1)
	<u>(3246)</u>	<u>(3,132)</u>
<b>Operating profit</b>	110	160
Other interest receivable and similar income	-	-
Gift aid donation to the Trust	(110)	(160)
	<u>-</u>	<u>-</u>
<b>Profit before taxation</b>	-	-
Tax	-	-
	<u>-</u>	<u>-</u>
<b>Retained in subsidiary</b>	-	-
	<u>-</u>	<u>-</u>
<b>Balance sheet</b>		
Fixed assets	-	-
Current assets	562	474
Current liabilities	(687)	(599)
Long term liabilities	-	-
	<u>(125)</u>	<u>(125)</u>
<b>Net liabilities</b>	(125)	(125)
	<u>(125)</u>	<u>(125)</u>
<b>Share capital and reserves</b>	(125)	(125)
	<u>(125)</u>	<u>(125)</u>

The results detailed above relate solely to trading activities with non-beneficiaries.

Included within costs above is a licence fee payable to the Trust of £ 100,000 (2011 £100,000)

#### 3 DIRECT CHARITABLE EXPENDITURE

	2012 £000	2011 £000
Raw materials and consumables	39	45
Staff costs	193	189
Other operating charges	222	222
Depreciation of tangible fixed assets	107	117
	<u>561</u>	<u>573</u>

# China Fleet Trust

## Notes to the Financial Statements

Year Ended 31 May 2012

### 4 GOVERNANCE COSTS

	2012 £000	Trust 2011 £000
Auditors' remuneration		
- for audit services to the Trust	4	3
- for non audit services to the Trust	-	-
Accountancy	3	3
Other costs, including AGM and annual report and legal fees	2	4
	<u>9</u>	<u>10</u>

In addition, the auditor's remuneration for audit services to the subsidiary company was £ 9277 (2011 £7,865)

The comparative governance costs figure has been adjusted to reflect the treatment of costs in the current year

### 5 STAFF NUMBERS AND COSTS

The average number of people employed by the Trust and its subsidiary company (including directors) during the year, analysed by category, was as follows

	2012 No	2011 No
Golf	17	17
Leisure	72	71
Food and beverage	54	45
Administration and establishment	47	43
	<u>190</u>	<u>176</u>

The aggregate payroll costs of these people were as follows

	2012 £000	2011 £000
Wages and salaries	1,712	1,587
Social security costs	97	99
Other pension costs	9	20
	<u>1,818</u>	<u>1,706</u>

No member of the Board of Trustees received any remuneration as a Trustee or director of the subsidiary company

No member of staff earned greater than £60,000 in the year

# China Fleet Trust

## Notes to the Financial Statements

Year Ended 31 May 2012

### 6 TANGIBLE FIXED ASSETS

#### Group and Trust

	<i>Freehold land and buildings £000</i>	<i>Timeshares £000</i>	<i>Equipment &amp; furnishings £000</i>	<i>Motor vehicles tractors &amp; mowers £000</i>	<i>Total £000</i>
<b>COST OR VALUATION</b>					
At 1 June 2011	6,560	306	2,340	144	9,350
Additions	34	-	73	3	110
Disposals	-	(179)	-	(3)	(182)
At 31 May 2012	<u>6,594</u>	<u>127</u>	<u>2,413</u>	<u>144</u>	<u>9,278</u>
<b>DEPRECIATION</b>					
At 1 June 2012	-	141	2,133	144	2,418
Charge for the year	-	2	105	-	107
Impairment	-	9	-	-	9
Elimination on disposal	-	(93)	-	-	(93)
At 31 May 2012	<u>-</u>	<u>59</u>	<u>2,238</u>	<u>144</u>	<u>2,441</u>
<b>NET BOOK VALUE</b>					
At 31 May 2012	<u>6,594</u>	<u>68</u>	<u>175</u>	<u>-</u>	<u>6,837</u>
At 31 May 2011	<u>6,560</u>	<u>165</u>	<u>207</u>	<u>-</u>	<u>6,932</u>

All tangible fixed assets relate to the Trust

The net book value of assets used for indirect charitable purposes is not material

# China Fleet Trust

## Notes to the Financial Statements

Year Ended 31 May 2012

### 7 FIXED ASSET INVESTMENTS

#### Group and Trust

	Quoted investments £000	Shares in subsidiary company £000	Holiday property bonds £000	Total £000
Cost / valuation at 1 June 2011	972	-	63	1,035
Additions	21	-	-	21
Disposals	(2)	-	-	(2)
Change in market value	(100)	-	-	(100)
Cost / valuation at 31 May 2012	<u>891</u>	<u>-</u>	<u>63</u>	<u>954</u>
Designated fund	<u>891</u>	<u>-</u>	<u>63</u>	<u>954</u>

The historical cost of quoted investments at 31 May 2012 was £ 860,770 (2011 £841,301) The Trust owns the whole of the issued share capital (£2) of The China Fleet Country Club Limited

	2012 £000	2011 £000
<b>Quoted investments:</b>		
<i>UK Holdings</i>		
Fixed investment	111	104
Equity	216	253
Property	49	46
Alternative assets	56	35
Liquid assets	10	44
	<u>442</u>	<u>482</u>
<i>Non-UK holdings</i>		
Overseas equities	449	490
	<u>891</u>	<u>972</u>

### 8 STOCKS

	Group		Trust	
	2012 £000	2011 £000	2012 £000	2011 £000
Raw materials and consumables	4	4	-	-
Goods for resale	102	95	-	-
	<u>106</u>	<u>99</u>	<u>-</u>	<u>-</u>

# China Fleet Trust

## Notes to the Financial Statements

Year Ended 31 May 2012

### 9 DEBTORS

	<i>Group</i>		<i>Trust</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	38	32	-	-
Amounts owed by group undertakings	-	-	35	56
Prepayments and accrued income	74	59	-	-
Other taxes and social security	-	4	-	4
	<u>112</u>	<u>95</u>	<u>35</u>	<u>60</u>

### 10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>Group</i>		<i>Trust</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans	-	100	-	100
Trade creditors	162	184	-	-
Amounts owed to group undertakings	-	-	217	212
Other taxes and social security	99	99	7	-
Accruals	144	138	3	3
Deferred income	257	183	-	-
	<u>662</u>	<u>704</u>	<u>227</u>	<u>315</u>

The above bank loans are secured against the investment portfolio

### 11 COMMITMENTS

#### Commitments under operating leases

At 31 May 2012 the group had annual commitments under non-cancellable operating leases as set out below

	<i>Land and buildings</i>		<i>Other operating leases</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Operating leases that expire</i>				
Within 1 year	-	-	38	4
Within 2-5 years	-	-	46	86
	<u>-</u>	<u>-</u>	<u>84</u>	<u>90</u>

### 12 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	<i>General fund</i>	<i>Designated fund</i>	<i>Total 2012</i>	<i>Total 2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Tangible fixed assets	285	6,552	6,837	6,932
Investments	-	954	954	1,035
Current assets	377	10	387	376
Current liabilities	(662)	-	(662)	(704)

# China Fleet Trust

## Notes to the Financial Statements

### Year Ended 31 May 2012

Long term liabilities	-	-	-	-
	<u>-</u>	<u>7,516</u>	<u>7,516</u>	<u>7,639</u>

### 13 RECONCILIATION OF MOVEMENT IN FUNDS

#### Group

	<i>General fund £000</i>	<i>Designated fund £000</i>	<i>Total £000</i>
At 1 June 2011	139	7,500	7,639
Income	3,769	24	3,793
Expenditure	(3,816)	-	(3,816)
Net investment losses	-	(100)	(100)
Transfers between funds	(92)	92	-
At 31 May 2012	<u>-</u>	<u>7,516</u>	<u>7,516</u>

#### Trust

	<i>General fund £000</i>	<i>Designated fund £000</i>	<i>Total £000</i>
At 1 June 2011	264	7,500	7,764
Income	523	24	547
Expenditure	(570)	-	(570)
Net investment gains	-	(100)	(100)
Transfers between funds	(92)	92	-
At 31 May 2012	<u>125</u>	<u>7,516</u>	<u>7,641</u>

### 13 RECONCILIATION OF MOVEMENT IN FUNDS (continued)

The designated fund represents funds allocated for the replacement and long term maintenance of buildings and equipment, and comprises of the Net Book Value of the freehold property, the investment portfolio, including £5,000 included within cash at bank and the Holiday Property Bond, less the bank loan which is secured against the investment portfolio

### 14 TRANSFERS BETWEEN FUNDS

A transfer between funds of £92,000 was made to reflect the movement in fixed assets during the year

### 15 PENSION COSTS

The subsidiary company operates a defined contribution group personal plan scheme. The amounts charged to the consolidated statement of financial activities in the year were £ 8,593 (2011 £19,616), and there were no prepaid or outstanding contributions at the balance sheet date

### 16 TRANSACTIONS WITH TRUSTEES

Travel expenses totaling £ 788 (2011 £429) were reimbursed to 2 Trustees (2011 2) during the year

### 17 CONTROLLING PARTY

The Trust is controlled and governed by the Board of Trustees, as detailed on page 2 of these Financial Statements

## China Fleet Trust

### Notes to the Financial Statements

#### Year Ended 31 May 2012

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#### 18 TRUST INCOMING AND OUTGOING RESOURCES

The Trust had the following incoming and outgoing resources

	2012 £000	Trust 2011 £000
Incoming resources		
Gift aid donation from subsidiary company	110	160
Dividend income	24	32
License fee	100	100
Direct charitable income from beneficiaries	313	315
	<hr/>	<hr/>
Total incoming resources	547	607
 Resources expended		
Direct charitable costs of providing facilities to beneficiaries	561	573
Governance costs	9	10
	<hr/>	<hr/>
Total outgoing resources	570	583
	<hr/>	<hr/>
Net surplus/(deficit) for the year before other recognised gains	(23)	24
	<hr/>	<hr/>