

Royal Brompton & Harefield



NHS Trust

Accounts for the period

1 April 2009 to 31 May 2009

ROYAL BROMPTON AND HAREFIELD NHS TRUST

Accounts for the period 1 April 2009 to 31 May 2009

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STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

The Secretary of State has directed that the Chief Executive should be the Accountable Officer to the trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officer's Memorandum issued by the Department of Health. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the trust;
- the expenditure and income of the trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an accountable officer.

Signed..........Chief Executive

Date th March 24, 2010

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the trust and of the income and expenditure, recognised gains and losses and cash flows for the year. In preparing those accounts, directors are required to:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm to the best of their knowledge and belief they have complied with the above requirements in preparing the accounts.

By order of the Board

March 24th, 2010 Date..... R. J. Chief Executive

24/3/2010 Date..... Mark Lambert Finance Director

Accounts of Royal Brompton and Harefield NHS Trust for the two month period ended 31 May 2009

Statement on Internal Control for the Period 1 April 2009 to 31 May 2009

1. Scope of Responsibility

The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.

As Chief Executive of the Trust, I participate regularly in meetings with NHS London, the Strategic Health Authority for London. These include specific meetings pertaining to the performance of our Trust as well as pan-London strategic issues. In addition, I maintain close working relationships with our host PCT and the NW London Provider Reference Group, NHS Innovations London and the National Institute of Health Research.

The Trust also has close collaboration links with Imperial College and other neighbouring Trusts specifically: Chelsea and Westminster NHS Foundation Trust, The Royal Marsden NHS Foundation Trust and Hillingdon Hospital NHS Trust.

2. 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 only provide 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 organisation's policies, aims and objectives,
- evaluate the likelihood of those risks being realised and their 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 Brompton & Harefield NHS Trust for the period 1st April – 31st May 2009 and up to the date of approval of the Trust accounts.

Note. The NHS Trust ceased activities on the 31st May 2009 and became the Royal Brompton & Harefield NHS Foundation Trust on 1st June 2009. The accounts for the NHS Trust are being prepared by its successor organisation.

3. Capacity to Handle Risk

A committee of the Board, the Audit and Risk Committee, chaired by a Non-executive Director and attended by myself and other Executive Directors, oversees and scrutinises the risk management process across the Trust. This committee is established to provide the Board with assurance that the systems for internal control, whether financial, clinical or non clinical, are adequately managed.

The Governance and Quality Committee, chaired by the

Medical Director and established to reflect the best practice in integrated governance, receives reports on clinical and non-clinical issues, to provide me with an overview of the work of the Trust's governance & quality programme established to enhance the quality and safety of the Trust's services through effective risk management. This committee provides regular performance reports to the Audit and Risk Committee and the Trust Board.

The Governance and Quality Directorate, which is led by the Executive Director lead for risk and supported by a risk management team, comprising non clinical risk leads and two Consultant leads for clinical risk, deliver the Trust's agenda to put patient safety at the forefront of the Trust's activities. The Trust is a member of the NHS Institute for Innovation and Improvement's (NHSII) Leadership in Patient Safety Programme. To ensure that all Trust staff are aware of their responsibility for patient safety activity and the management of risk, a range of training, guidance and support is offered to all levels of the Trust's staff.

To ensure that the Trust undertakes its activities in a safe environment, compliance with its health and safety obligations are monitored by an external contractor who provides specialist advice and training in fire, health, safety and manual handling issues. All staff joining the Trust attend an induction and ongoing training programme to provide them with the essential knowledge on health and safety and risk management.

Risk identification is undertaken at all levels of the Trust activity and is reported through the committee structure to the Board to ensure that these issues are adequately reviewed. The Trust maintains a risk register (RR) and a board assurance framework (BAF) to provide me with an overview of the significant risks to achieving our objectives, together with the controls in place to mitigate these risks.

4. The risk and control framework

As an employer with staff entitled to membership of the NHS Pension scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

The Board approved Risk Management Strategy, revised in March 2009 to reflect current best practice, establishes the Trust's approach to risk, and defines how risks should be managed and the responsibilities of key staff. The strategy determines the requirements for the identification and assessment of risks and for control measures to be identified and reviewed.

Accounts of Royal Brompton and Harefield NHS Trust for the two month period ended 31 May 2009

The Risk Management Strategy and Risk Assessment Policy, assign responsibility for the ownership and management of risks and ensures that those risks which cannot be managed locally are escalated through the organisation. This process populates the risk register and assurance framework, to form a systematic record of all identified risks. The register evaluates risks according to a grading matrix, based on the AS/NZ (2004) risk management standard and records the control measures designed to mitigate and minimise the identified risks.

The Trust undertook an extensive review of its key risks during 2008/9, to both ensure that they fully reflect those risks which threaten the Trust's objectives and the Trust's commitment to patient safety and a revised BAF was formally reviewed and adopted by the board at its December meeting. These activities have continued during M1&2 and are monitored through the ongoing review of the BAF by the Audit and Risk Committee.

The risks detailed within the BAF are aligned to the Trust's Objectives, the Healthcare Standards and the new Care Quality Commission registration requirements, and reflect risks from all aspects of the organisation and provide details of the controls in place to mitigate the risks and where assurance can be located that these controls are effective. The BAF provides assurance to the Board that these risks are being adequately controlled and where required informs the statement on internal control.

Elements of the Trust's systems for internal control were reviewed by the NHSLA against the new Risk Management Standards and the Trust was successfully assessed at Level 2 in December 2008 and through the auditor's local evaluation (ALE) which assessed the internal control element at Level 3 and Level 4 for the use of resources for the period up to March 2009. These aspects of internal control have been maintained for the months of April and May and continue to be maintained under the direction of the Foundation Trust.

Maintaining the security of the information that the Trust holds provides confidence to the patients and employees of the Trust. To ensure that its security is maintained an Executive Director has been identified to undertake the role of Senior Information Risk Officer (SIRO). The SIRO has overseen the implementation of a wide range of measures to protect the data we hold and undertaken a full review of personal identifiable information flows to underpin the Trust's information governance assurance statements and its assessment against the information governance toolkit. The review against the information governance toolkit provides me with assurance that these aspects are being managed. No reportable breaches have been identified.

The BAF recognises and is informed by the Trust's wider role and risk profile, especially as a leading centre for research and development, innovation, 'translational' research and training and the parts played by the Trust's stakeholders:

- From April 2008 Local Involvement Networks (LINKs) in Hillingdon and the Royal Borough of Kensington and Chelsea were established following the Local Government and Public Involvement in Health Bill 2007 and replaced the Patient and Public Involvement (PPI) Forums. The LINKs have established a management

board and a number of sub-groups focusing on particular health areas. The Trust, through the User Involvement Manager and staff, is working with LINKs to ensure that it can support their agenda to engage users and improve health and social care services in the boroughs.

- Relationships with the "central" NHS and with the Care Quality Commission for the performance management requirements of the annual health check and registration process;
- Working closely with the Provider Agency of the NHS London and our commissioning PCTs to assure them that the Trust's activities are delivered to the highest standards.
- Relationships with our health partners and stakeholders in relation to key objectives and future referral patterns.
- The Trust's continued relationship with the National Heart and Lung Institute of Imperial College London.
- The Trust's Single Equalities Scheme has been developed with Patient and Public involvement to ensure that it reflects the diverse needs of all patient and staffing groups.

Gaps in control or assurance.

Following its review against the Healthcare Standards the Trust has declared that it is fully compliant against all of the criteria of the core standards for better health for the financial year 2009/10 and has received Care Quality Commission's (CQC) performance ratings of excellent for the quality of its services and excellent for its financial management. The Trust has continued to monitor its compliance with the standards for better health which remain operative until 31st March 2010. The Trust, in accordance with the CQC requirements made an Interim Declaration against the Core Standards to cover the period 1st April 2009 – 31st October 2009. The Trust Board reviewed the final declaration at its meeting on 25th November 2009 and declared compliance with all of the core standards.

Work is being undertaken in preparation for submission of a registration application to the Care Quality Commission in January 2010.

No gaps or assurance have been identified in this review process.

5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

My review is also informed by; my attendance at the Audit and Risk Committee, performance reports to the Board -

Accounts of Royal Brompton and Harefield NHS Trust for the two month period ended 31 May 2009

- including the BAF, the Trust's review against the Healthcare Standards, the reviews undertaken by the Trust's external auditors on behalf of the Audit Commission including the Auditors Local Evaluation and the assessment against the NHSLA's Risk Management Standards provide me with further assurance.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the above mentioned processes and through reports from the executives with responsibility for internal control.

The Non Executive Chair of the Audit and Risk Committee provides assurance as to the effectiveness of internal control, through reports to the Board on the committee's ongoing review of the activities and findings of the Trust's external auditors, Deloitte LLP and the internal auditors. The internal audit provider, the London Audit Consortium, has delivered against its annual audit plan, which is 'risk based' to reflect potential gaps and control issues identified in the BAF. Other means of external review are identified in the areas to which they relate, for example:

Clinical Governance	Care Quality Commission
Infection Prevention and Control	Care Quality Commission. (the Trust was registered without conditions by the CQC in relation to HCAI on the 5 th of February 2009)
Risk Management	NHS Litigation Authority External Audit (Deloitte LLP) Internal Audit (The London Audit Consortium)

Annual Health Check

Care Quality Commission
NHS London
Local Authority (London Borough of Hillingdon)
Overview and Scrutiny Committee

In response to the guidance in the Intelligent Board document, the Board has adopted a comprehensive performance report which it receives at each of its meetings. These provide me with benchmarking and exception reports on a range of key performance indicators to ensure that key issues are highlighted and receive the appropriate attention.

Internal Audit have, throughout the year, reviewed elements of the Trusts internal control arrangements and the BAF and the Head of Internal Audit's Opinion provided me with reasonable assurance that an effective system of internal control to manage the principal risks identified by the organisation was in place for 2008/9 and the Head of Internal Audit has indicated that his opinion for the period of this review will remain unchanged. Deloitte LLP (appointed the Audit Commission) provides the Trust with its external audit assurance and reports on a range of the organisation's activities and annual accounts.

The Assurance Framework has to date, identified no significant control issues. A plan to address weaknesses and ensure continuous improvement of the system is in place.



Robert J Bell
Chief Executive
Royal Brompton and Harefield NHS Foundation Trust
(NHS Trust as was for the period 1st April until 31st May)

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF ROYAL BROMPTON & HAREFIELD NHS FOUNDATION TRUST

We have audited the financial statements of Royal Brompton & Harefield NHS Trust for the two month period ended 31 May 2009 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Taxpayers' Equity, Statement of Cash Flows and the related notes 1 to 38. These financial statements have been prepared under the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service set out within them. We have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Board of Royal Brompton & Harefield NHS Foundation Trust, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the Board those matters we are required to state to them in an auditors' 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 Trust and the Board as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors' 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, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. We report whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. We report to you whether, in our opinion, the information which comprises the commentary on the financial performance included within the Annual Report, is consistent with the financial statements.

We review whether the directors' Statement on Internal Control reflects compliance with the Department of Health's requirements, set out in 'Guidance on Completing the Statement on Internal Control 2008/09' issued on 25 February 2009. We report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the directors' Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Chief Executive's review, the unaudited part of the Remuneration Report, the remaining elements of the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and 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 and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust'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; and the financial statements and the part of the Remuneration Report to be audited have been properly prepared. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 May 2009 and of its income and expenditure for the 2 months then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England; and
- information which comprises commentary on the financial performance included within the Annual Report, is consistent with the financial statements.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Directors' Responsibilities

The directors are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Trust's use of resources, to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

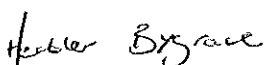
We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Trust for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to the criteria for NHS bodies specified by the Audit Commission. We report if significant matters have come to our attention which prevent us from concluding that the Trust has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for NHS bodies specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, Royal Brompton & Harefield NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the two month period ending 31 May 2009.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Heather Bygrave (Engagement Lead)
for and on behalf of Deloitte LLP
Appointed Auditor
St Albans
13 April 2010

Accounts of Royal Brompton and Harefield NHS Trust for the two month period ended 31 May 2009

FOREWORD TO THE ACCOUNTS

These accounts for the 2 months ended 31 May 2009 have been prepared by the Royal Brompton and Harefield NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

Royal Brompton and Harefield NHS Trust - for the two month period to 31 May 2009

STATEMENT OF COMPREHENSIVE INCOME FOR THE TWO MONTH PERIOD ENDED 31 MAY 2009

	NOTE	Two months to 31 May 2009 £000	Year ended 31 March 2009 £000
Revenue from patient care activities	4	36,761	210,022
Other operating revenue	5	5,279	30,982
Operating expenses	6-10	(40,352)	(236,021)
OPERATING SURPLUS		1,688	4,983
Investment revenue	11	6	380
Revaluation gain/(loss) on investment property	12	-	(2,129)
Finance costs	13	(12)	(101)
SURPLUS FOR THE FINANCIAL PERIOD		1,682	3,133
Dividends payable on Public Dividend Capital		(1,135)	(7,126)
RETAINED SURPLUS/(DEFICIT) FOR THE PERIOD		547	(3,993)
OTHER COMPREHENSIVE INCOME:			
Impairments and reversals		-	(40,478)
Gains on revaluations	14	797	31,735
Receipt of donated/government granted assets	14	319	1,770
Reclassification adjustments:			
- Transfers from donated and government grant reserves	5	(372)	(1,879)
Total comprehensive income for the period		1,291	(12,845)

The notes on pages 5 to 32 form part of these accounts.

All revenue and expenditure is derived from continuing operations.

These accounts relate to the two month period of 1 April 2009 to 31 May 2009 and have been produced because from 1 June 2009, the trust became a Foundation Trust.

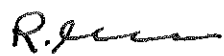
Prior period comparative figures stated in the income statement, statement in changes in equity, cash flow statement and related notes are for the twelve months to 31 March 2009. Readers of these accounts should be aware that because comparative figures are for a longer period, they are therefore not entirely comparable.

STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2009

		Two months to 31 May 2009	Year ended 31 March 2009
	NOTE	£000	£000
NON-CURRENT ASSETS			
Property, plant and equipment	14	181,940	181,155
Investment properties	16	22,795	22,795
TOTAL NON-CURRENT ASSETS		204,735	203,950
CURRENT ASSETS			
Inventories	19	7,360	7,016
Trade and other receivables	20	30,048	21,496
Cash and cash equivalents	22	3,876	2,735
TOTAL CURRENT ASSETS		41,284	31,247
TOTAL ASSETS		246,019	235,197
CURRENT LIABILITIES			
Trade and other payables	23	(33,521)	(23,930)
Borrowings	24	(313)	(375)
Provisions	27	(179)	(185)
TOTAL CURRENT LIABILITIES		(34,013)	(24,490)
NET CURRENT ASSETS		7,271	6,757
TOTAL ASSETS LESS CURRENT LIABILITIES		212,006	210,707
NON-CURRENT LIABILITIES			
Borrowings	24	(766)	(766)
Provisions	27	(1,069)	(1,061)
TOTAL NON-CURRENT LIABILITIES		(1,835)	(1,827)
TOTAL ASSETS EMPLOYED		210,171	208,880
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital (PDC)		99,836	99,836
Retained earnings		31,313	30,766
Revaluation reserve		66,048	65,273
Donated asset reserve		12,974	13,005
TOTAL TAXPAYERS' EQUITY		210,171	208,880

The financial statements on pages 5 to 32 were approved by the Board on
on its behalf by :

and signed

Chief Executive :  Date : March 24th 2010
Robert J Bell

Royal Brompton and Harefield NHS Trust - for the two month period to 31 May 2009

	Public dividend capital £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Total £000
Balance at 31 March 2009	99,836	30,766	65,273	13,005	208,880
Changes in taxpayers' equity for the period 1 April to 31 May 2009					
Receipt of donated assets	-	-	-	319	319
Net gain on revaluation of property, plant and equipment	-	-	775	22	797
Transfers to the income statement for depreciation, impairment and disposal of donated assets	-	-	-	(372)	(372)
Retained surplus for the year	-	547	-	-	547
Balance at 31 May 2009	99,836	31,313	66,048	12,974	210,171

Prior period

	Public dividend capital £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Total £000
Balance at 31 March 2008	98,335	32,554	75,676	13,659	220,224
Changes in taxpayers' equity for 2008-09					
Impairments and reversals	-	-	(39,463)	(1,015)	(40,478)
Net gain on revaluation of property, plant and equipment	-	-	31,265	470	31,735
Receipt of donated assets	-	-	-	1,770	1,770
Transfers to the income statement for depreciation, impairment and disposal of donated assets	-	-	-	(1,879)	(1,879)
Transfers between reserves	-	2,205	(2,205)	-	-
Retained deficit for the year	-	(3,993)	-	-	(3,993)
New PDC received	1,501	-	-	-	1,501
Balance at 31 March 2009	99,836	30,766	65,273	13,005	208,880

STATEMENT OF CASH FLOWS FOR THE TWO MONTH PERIOD ENDED 31 MAY 2009

		Two months to 31 May 2009	Year ended 31 March 2009
	Note	£000	£000
Cash flows from operating activities			
Operating surplus		1,688	4,983
Depreciation	14	1,757	10,007
Impairments and reversals		-	4,957
Transfer from donated asset reserve		(372)	(1,879)
Interest paid	13	(12)	(80)
Dividend paid		(1,135)	(7,126)
(Increase)/decrease in inventories		(344)	196
(Increase)/decrease in trade and other receivables		(8,552)	5,553
Increase/(decrease) in trade and other payables		9,591	(5,640)
Increase in provisions		2	83
Net cash inflow from operating activities		2,623	11,054
Cash flows from investing activities			
Interest received	11	6	380
Payments for property, plant and equipment	14	(1,426)	(10,401)
Net cash outflow from investing activities		(1,420)	(10,021)
Net cash inflow before financing		1,203	1,033
Cash flows from financing activities			
Public dividend capital received		-	1,501
Capital element of finance leases		(62)	(433)
Net cash (outflow)/inflow from financing		(62)	1,068
Net increase in cash and cash equivalents		1,141	2,101
Cash and cash equivalents at the beginning of the financial period		2,735	634
Cash and cash equivalents at the end of the financial period		3,876	2,735

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2009/10 NHS Trusts Manual for Accounts issued by the Department of Health. From the current period, the accounting policies contained in that manual follow International financial reporting standards (IFRS) to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trust Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Care Trust designation

The Trust is not a 'Care Trust' for the purposes of this note.

1.4 Pooled Budgets

There are no pooled budget arrangements in place within the Trust.

1.5 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1.5.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the trusts accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Provisions

A provision is recognised when the trust has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. In addition to widely used estimation techniques, judgement is required when determining the probable outflow of economic benefits relating to early voluntary retirement pension and injury benefit liabilities.

Provision for impairment of receivables.

Management will use their judgement to decide when to write-off revenue or to provide against the probability of not being able to collect debt.

Impairments and estimated asset lives

The trust is required to review property, plant and equipment for impairment. In between formal valuations by qualified surveyors, management make judgements about the condition of assets and review their estimated lives.

1.5.2 Key sources of estimation uncertainty

Management has made the following critical judgement in the process of applying the entity's accounting policies and this has had a significant effect on the amounts recognised in the financial statement:

- 1) The use of indices for revaluing assets between full valuations (see note 1.9)
- 2) The use of estimated asset lives in calculating depreciation (see note 1.9)
- 3) Provisions for early voluntary retirement pension contributions and injury benefit obligations are estimated using expected life tables and discounted at the pensions rate of 1.8%. (see note 1.20)

1.6 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the trust is from commissioners for healthcare services.

Revenue is recognised on partially completed patient episodes in progress at 31 May 2009 based on estimated costs at the balance sheet date insofar as commissioning NHS bodies agree to recognise the corresponding expenditure.

The Trust's activities do not include the selling of goods.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and interest rate applicable.

1.7 Employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the Trust commits itself to the retirement, regardless of the method of payment.

1.8 Other expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

1.9 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Under International Financial Reporting Standards (IFRS) where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives. The Trust is planning to implement this during 2009/10 after its property is next revalued as at 31 May 2009 to ensure compliance with IFRS requirements. However, as the revaluation exercise will not take place until over three months after the balance sheet date and there is no comparative information relating to individual asset components prior to this revaluation, components of assets will only be depreciated separately in the accounts of periods ending after 31 May 2009. This is a temporary departure from policy that in the Trust's opinion, will have an immaterial effect on the depreciation charged in the accounts.

Valuation

Land and buildings used for the Trust's services or for administrative purposes are stated in the balance sheet at their revalued amounts. Under IAS 16 this is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the balance sheet date. Fair values are determined as follows:

- Land and non-specialised buildings - market value for existing use
- Specialised buildings - depreciated replacement cost

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. Since then, HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. Using this approach, the Trust obtained a valuation of property as at 31 May 2009 and used the result of this valuation to restate property values at 31 March 2009 (the prior period). This was done because the figures obtained at 31 May were deemed to be a better representation of the fair value of the assets at 31 March 2009 than those previously estimated using Treasury indices. The effect of this revaluation on the 2008/09 accounts is analysed in note 14.1. The valuation was conducted by Drivers Jonas LLP (an independent valuer) and was performed in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual and in accordance with IFRS.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Until 31 March 2008, all fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation on assets of low value ceased and the carrying value of existing assets from that date could be written off over their remaining useful lives and new fixtures and equipment carried at depreciated historic cost, as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

1.10 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.11 Depreciation, amortisation and impairments

Freehold land and properties under construction are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives, or, where shorter, the lease term.

At each reporting period end, the trust checks whether there is any indication that any of its tangible assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.12 Donated assets

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to offset the expenditure. On sale of donated assets, the net book value is transferred from the donated asset reserve to retained earnings.

1.13 Government Grants

Government grants are grants from government bodies other than revenue from NHS bodies for the provision of services. Revenue grants are treated as deferred income initially and credited to income to match the expenditure to which they relate. Capital grants are credited to the government grant reserve and released to operating revenue over the life of the asset in a manner consistent with the depreciation and impairment charges for that asset. Assets purchased from government grants are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to offset the expenditure.

1.14 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to retained earnings.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

1.15 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The Trust as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the trust's surplus/deficit.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

The Trust as a lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the trust's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the trust's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Trust does not currently lease assets under finance leases as lessor, but does lease investment property under operating leases as a lessor.

1.16 Private Finance Initiative (PFI) transactions

The Trust has no PFI transactions to report.

1.17 Investment property

Investment property is defined in IAS 40 as property (land or a building or part of a building, or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes; or
- (b) sale in the ordinary course of business.

Properties rented out for the purpose of staff or relatives accommodation or insignificant parts of buildings rented out under an operating leases are not classified as investment property.

Investment property is initially valued at cost and thereafter stated at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

The property was valued as at 31 May 2009 valuation was conducted by Drivers Jonas LLP (an independent valuer) who performed this in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual and in accordance with International Financial Reporting requirements. The assets were valued by reference to the market conditions prevailing at the valuation date.

Under IAS 40 revaluations will be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the balance sheet date.

1.18 Inventories

Inventories are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress but are accounted for as receivables. This is because partially completed patient episodes are verified between NHS providers and commissioners as part of the intra-NHS Debtor/Creditor balances agreement.

1.19 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Trust's cash management.

1.20 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms or 1.8% for pension related liabilities.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Trust has a contract under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.21 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to the income statement. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 27.

1.22 Non-clinical risk pooling

The Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Trust pays an annual contribution to the NHS Litigation Authority and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any excesses payable in respect of particular claims are charged to operating expenses as and when they become due.

1.23 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.24 Financial Assets

Financial assets are initially recognised at fair value. This is determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market prices.
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instrument.

Financial assets are classified into the following categories: financial assets 'at fair value through profit and loss'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in calculating the trust's surplus or deficit for the year. The net gain or loss incorporates any interest earned on the financial asset.

The trust has not entered into any contracts that have different risks and characteristics to their host contract.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

The Trust does not hold any held to maturity investments and it is thought that any NHS trusts is unlikely to have these.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to surplus/deficit on de-recognition.

The Trust does not hold any 'available for sale' financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Other than for current trade receivables, fair value is determined by reference to quoted market prices where possible, otherwise by discounted cash flow techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the trust assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in expenditure and the carrying amount of the asset is reduced through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.25 Financial liabilities

Financial liabilities are recognised on the statement of financial position when the trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

Financial liabilities at fair value through profit and loss

Derivatives and contracts with embedded derivatives that are separable from the host contract under IAS 39 but whose separate value cannot be ascertained are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liability.

The trust has not entered into any such contracts.

Other financial liabilities

Other financial liabilities including borrowings are initially measured at fair value, less transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

1.26 Value added tax

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.27 Foreign currencies

The Trust's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the trust's surplus/deficit in the period in which they arise.

1.28 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 35 to the accounts.

1.29 Public Dividend Capital (PDC) and PDC dividend

Public Dividend Capital represents taxpayers equity in the NHS Trust. At any time the Secretary of State can issue new PDC to, and require repayments of, PDC from the NHS Trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

An annual charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. Prior to 2009/10 the PDC dividend was determined using forecast average relevant net assets and a note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year. From 1 April 2009, the dividend payable is based on the actual average relevant net assets for the year instead of forecast amounts.

1.30 Losses and special payments

Losses and Special Payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses and compensations register which reports amounts on an accruals basis with the exception of provisions for future losses.

1.31 Going concern

The Financial Statements have been prepared on a going concern basis since the directors of the Board are satisfied that the activities of the Trust are sustainable for the foreseeable future.

1.32 Accounting standards issued but not yet effected.

The following standards, amendments and interpretations have been issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) but are not yet required to be adopted or are not yet effective.

- IAS 23 (amended) – Borrowing Costs
- IFRIC 9 (amended)/IAS 39 (amended) – Embedded Derivatives
- IFRS 7 (amended) – Improving Disclosures about Financial Instruments
- IAS 39 (amended)/IFRS 7 (amended) – Reclassification of Financial Assets
- Improvements to International Financial Reporting Standards 2008 (June 2009)

The directors anticipate that the adoption of these standards and interpretations in future period will have no material impact on the financial statements. All other revised and new standards have not been listed here as they are not considered to have an impact on the Trust. The Department of Health does not permit the early adoption of accounting standards, amendments and interpretations that are in issue at the reporting date but effective at a subsequent reporting period.

2. Segmental Analysis

Other than the entity-wide disclosures regarding income only, the Trust does not produce any segmental analysis which shows full discrete financial information (i.e. income, expenditure, surplus/deficit) for any individual elements of the Trust's operations.

Whilst the Trust does regularly produce information for the Chief Operating Decision Maker analysing expenditure by a number of different operating segments, this has not been disclosed as the information produced only covers expenditure.

The Trust also does not segment its assets and liabilities for review by the Chief Operating Decision Maker.

Service Line Reporting is currently being implemented by NHS Trusts and when fully functional, this will enable the Trust to produce more detailed information income and expenditure by operating segments. The system is expected to be fully operational within the next eighteen months.

2.1 Revenue analysis by customer type

	Two month period 31 May 2009				Year ended 31 March 2009			
	English NHS bodies £000's	Other UK NHS bodies £000's	Non NHS £000's	Total £000's	English NHS bodies £000's	Other UK NHS bodies £000's	Non NHS £000's	Total £000's
Patient care activities	32,764	323	30	33,117	187,404	1,164	345	188,913
Private patient healthcare	-	-	3,644	3,644	-	-	21,109	21,109
Other non patient care services to other bodies	-	-	50	50	159	-	112	271
Education, training and research	2,945	-	142	2,987	8,748	-	13,115	21,863
Income from ancillary services	-	-	654	654	-	-	3,896	3,896
Charitable funding	-	-	1,156	1,156	-	-	2,511	2,511
Other	25	-	406	431	58	-	2,383	2,441
	<u>35,634</u>	<u>323</u>	<u>6,082</u>	<u>42,039</u>	<u>196,369</u>	<u>1,164</u>	<u>43,471</u>	<u>241,004</u>

Revenue from ancillary services consists of:

	£000's	£000's
Rental revenue from staff accommodation	198	1,095
Rental revenue from operating leases	166	1,176
Catering revenue	146	899
Childcare services	105	520
Car parking	27	158
Other	12	48
	<u>654</u>	<u>3,896</u>

The majority of funding is provided via Primary Care Trusts and the Department of Health, both of which accounted for 10% or more of the trusts total income in 2008/09 (all PCTs are classed as a single customer because they are under common control). Revenue for patient care and other operating activities from these bodies was as follows:

	Two month period to 31 May 2009 £000's	2008/09 £000's
Primary Care Trusts	31,163 74% of total revenue	145,273 60% of total revenue
Department of Health	699 2% of total revenue	38,801 16% of total revenue
	<u>31,862</u>	<u>184,074</u>

3. Income generation activities

The purpose of this note is to disclose income generating activities with an aim to achieving profit which is then used in patient care. Income generation in note 5 consists of several activities that although classified under income generation, they are not managed or accounted for as income generating schemes because they relate to the provision of necessary services rather than profit making schemes. The trust therefore has no income generating schemes to report.

4. Revenue from patient care activities

	Two months to 31 May 2009 £000	Year ended 31 March 2009 £000
Strategic Health Authorities	2,521	13,805
NHS Trusts	457	3,237
Primary Care Trusts *	29,187	142,726
Foundation Trusts	323	2,218
Department of Health	-	25,418
NHS Other	276	-
Non NHS:		
- Private patients	3,644	21,109
- Overseas patients (non-reciprocal)	30	345
- Other	323	1,164
	36,761	210,022

* Income from Primary Care Trusts includes £2,753,000 (2008/09: £3,033,000) recognised for partially completed patient episodes

5. Other Operating Revenue

	Two months to 31 May 2009 £000	Year ended 31 March 2009 £000
Education, training and research	2,987	21,863
Charitable and other contributions to expenditure	1,156	2,511
Transfers from Donated Asset Reserve	372	1,879
Non-patient care services to other bodies	51	271
Income generation	487	2,720
Rental income from operating leases	166	1,176
Other revenue	60	562
	5,279	30,982

Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.

The revenue included in 'income generation' above consists revenue from staff accommodation, catering, car parking and creche fees. This revenue is from the provision of necessary services and is not generated under income generating schemes as in note 3 above.

6. Operating Expenses

Operating expenses comprise:

	Two months to 31 May 2009 £000	Year ended 31 March 2009 £000
Directors' costs	127	779
Staff costs	25,300	139,513
Supplies and services - clinical	9,060	54,331
Supplies and services - general	1,329	6,970
Consultancy services	9	990
Establishment	622	4,150
Transport	322	2,162
Premises	1,446	9,483
Reduction in provision for impairment of receivables	(21)	(48)
Depreciation	1,757	10,007
Impairments and reversals of property, plant and equipment	-	4,957
Audit fees	67	142
Other auditor's remuneration	-	85
Clinical negligence	224	866
Redundancy costs	-	885
Education and training	69	706
Other	41	43
	40,352	236,021

7 Operating leases

7.1 As Lessee

The Trust was a party to 10 operating leases at 31/05/09 (11 at 31/03/09) with a total expenditure of £50,000 during the two months to 31 May 2009. (2008/09 £316,000)

Terms of renewal or extension to leases are agreed towards the end of the contract at market rent.

Purchase options are not included in operating lease contracts. Any decision to purchase the asset at the end of the lease period would be based on market prices at the time.

In the case of any dispute between the Trust and the lessor regarding the condition of the assets when returned to the lessor a jointly appointed expert will be used to arbitrate and to deliver a binding decision. Early termination sums are generally payable in respect of the period up to the end of the full contract, for the full contract price discounted at 4% per annum, and in the event of total loss of the asset, the discounted residual value of the asset.

There were no contingent rents or sub leases payable.

Payments recognised as an expense

	Two months to 31 May 2009 £000	Year ended 31 March 2009 £000
Minimum lease payments	<u>50</u>	<u>316</u>

Total future minimum lease payments

	Land and buildings		Other leases (equipment)	
	Two months to 31 May 2009 £000	Year ended 31 March 2009 £000	Two months to 31 May 2009 £000	Year ended 31 March 2009 £000
Operating leases which expire:				
Within 1 year	-	-	245	256
Between 1 and 5 years	-	-	389	352
After 5 years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>634</u>	<u>608</u>

7.2 As Lessor

The Trust has 8 investment properties on the Brompton and Harefield sites that are leased out under operating leases to generate revenue. The leases are typically for 5 to 10 years and rents are received quarterly.

Each lease is subject the Landlord and Tenant Act 1954 and the 1995 Landlord and Tenant (Covenants) Act and will be renegotiated at market rate at the end of the lease term. None of the lease agreements have an option to purchase written into them.

Contingent rents are based on a share of the value of sub-rents received by the Lessee (if any). They are shown below in rental revenue for the year but are excluded from total future minimum lease payments receivable.

Rental Revenue

	Two months to 31 May 2009 £000	Year ended 31 March 2009 £000
Basic Rent	141	835
Contingent rent	25	341
Total	<u>166</u>	<u>1,176</u>

Total future minimum lease payments receivable

	Two months to 31 May 2009 £000	Year ended 31 March 2009 £000
Receivable within one year	714	847
Receivable between 1 and 5 years	1,249	1,208
Payable after 5 years	117	67
Total	<u>2,080</u>	<u>2,122</u>

8. Employee costs and numbers

8.1 Employee costs

	Two months to 31 May 2009			Year ended 31 March 2009
	Permanently Employed	Other	Total	
	£000	£000	£000	£000
Salaries and wages	19,180	2,458	21,638	118,710
Social Security Costs	1,745	-	1,745	9,960
Employer contributions to NHS BSA - Pensions Division	2,040	-	2,040	11,591
	22,965	2,458	25,423	140,261

8.2 Average number of persons employed

	Two months to 31 May 2009			Year ended 31 March 2009
	Permanently Employed	Other	Total	
	Number	Number	Number	Number
Medical and dental	336	9	345	341
Administration and estates	629	45	674	669
Healthcare assistants and other support staff	103	34	137	130
Nursing, midwifery and health visiting staff	1,022	113	1,135	1,156
Nursing, midwifery and health visiting learners	24	-	24	24
Scientific, therapeutic and technical staff	426	25	451	444
Total	2,540	226	2,766	2,764

8.3 Retirements due to ill-health

During the period there were no early retirements on the grounds of ill-health (there were 3 during 2008/09 and the estimated additional pension liabilities of these ill-health retirements was £46,000). The cost of these ill-health retirements are borne by the NHS Business Services Authority - Pensions Division.

9 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

The valuation of the scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

c) Scheme provisions

The scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the statement of comprehensive income at the time the Trust commits itself to the retirement, regardless of the method of payment.

The scheme provides the opportunity to members to increase their benefits through money purchase additional voluntary contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

10 Better Payment Practice Code

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10.1 Better Payment Practice Code - measure of compliance

Two months to 31 May 2009

	Number	£000
Total Non-NHS trade invoices paid in the period	9,012	18,282
Total Non NHS trade invoices paid within target	3,918	7,570
Percentage of Non-NHS trade invoices paid within target	43%	41%
Total NHS trade invoices paid in the period	301	3,700
Total NHS trade invoices paid within target	88	2,626
Percentage of NHS trade invoices paid within target	29%	71%

The Better Payment Practice Code requires the Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later.

10.2 The Late Payment of Commercial Debts (Interest) Act 1998

There was no interest paid for late payments in the two month period to 31 May 2009 or in 2008/09.

11. Investment revenue

	Two months to 31 May 2009 £000	Year ended 31 March 2009 £000
Interest revenue:		
Bank accounts	6	380
	<u>6</u>	<u>380</u>

12. Other gains and losses

	Two months to 31 May 2009 £000	Year ended 31 March 2009 £000
(Impairments) on investment property	-	(2,129)
	<u>-</u>	<u>(2,129)</u>

13. Finance costs

	Two months to 31 May 2009 £000	Year ended 31 March 2009 £000
Interest on obligations under finance leases	(9)	(80)
Other interest and finance costs	(3)	(21)
Total	<u>(12)</u>	<u>(101)</u>

14. Property, plant and equipment

2009/2010 :	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Information technology	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	42,208	98,921	7,073	9,806	49,650	12,740	220,398
Additions purchased	-	-	-	1,426	-	-	1,426
Additions donated	-	-	-	319	-	-	319
Disposals other than by sale	-	(2)	-	-	-	-	(2)
Revaluation gains	-	762	35	-	-	-	797
Balance at 31 May 2009	42,208	99,681	7,108	11,551	49,650	12,740	222,938
Depreciation at 1 April 2009	-	(2)	-	-	34,292	4,951	39,243
Disposals other than by sale	-	762	35	-	576	384	1,757
Charged during the period	-	760	35	-	34,868	5,335	40,998
Balance at 31 May 2009	-	-	-	-	-	-	-
Net book values brought forward	42,208	96,404	7,073	9,025	8,614	4,826	168,150
Purchased	-	2,517	-	781	6,744	2,963	13,005
Donated	-	98,921	7,073	9,806	15,358	7,789	181,155
Balance at 31 March 2009	42,208	98,921	7,073	9,806	15,358	7,789	181,155
Net book values carried forward	42,208	96,404	7,073	10,451	8,302	4,528	168,966
Purchased	-	2,517	-	1,100	6,480	2,877	12,974
Donated	-	98,921	7,073	11,551	14,782	7,405	181,940
Balance at 31 May 2009	42,208	98,921	7,073	11,551	14,782	7,405	181,940
Asset financing							
Owned	42,208	98,921	7,073	11,551	13,563	7,328	180,644
Finance Leased	-	-	-	-	1,219	77	1,296
Balance at 31 May 2009	42,208	98,921	7,073	11,551	14,782	7,405	181,940

Land and buildings were revalued as at 31 May 2009 by Drivers Jonas LLP (an independent valuer). They were calculated in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual and in accordance with International Financial Reporting requirements.

Specialised buildings are valued at depreciated replacement cost, and whilst there is no direct market for these they were referenced to the current costings in the market and the demands of healthcare providers in the market.

Land and non specialised buildings are valued at Existing Use Value (i.e. fair value assuming ongoing use) which will have reference to market conditions.

Internally let accommodation (i.e. nurses accommodation) has been valued on an Existing Use Value for Social Housing.

Additions to donated assets have been mainly funded by Royal Brompton and Harefield Charitable Funds.

See note 1.9 for further details on the valuation methods applied.

14. Property, plant and equipment (continued)

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Information technology	Total
	£000	£000	£000	£000	£000	£000	£000
2008/2009 (prior year comparative)							
Cost or valuation at 1 April 2008	53,586	94,596	18,331	8,596	44,313	8,288	227,710
Additions purchased	-	610	-	5,573	2,784	1,434	10,401
Additions donated	-	-	-	1,770	-	-	1,770
Reclassifications	-	3,281	(3,288)	(6,133)	3,122	3,018	-
Disposals other than by sale	-	(38)	-	-	(1,496)	-	(1,534)
Revaluation gains	6,436	24,620	349	-	927	-	32,332
Impairments (note 17)	(17,814)	(16,557)	(6,107)	-	-	-	(40,478)
At 31 March 2009	42,208	106,512	9,285	9,806	49,650	12,740	230,201
Depreciation at 1 April 2008	-	-	-	-	31,932	3,087	35,019
Disposals other than by sale	-	(38)	-	-	(1,496)	-	(1,534)
Revaluation	-	-	-	-	597	-	597
Impairments (note 17)	-	3,239	1,718	-	-	-	4,957
Charged during the year	-	4,390	494	-	3,259	1,864	10,007
Depreciation at 31 March 2009	-	7,591	2,212	-	34,292	4,951	49,046
Net book values brought forward							
Purchased	53,586	91,217	18,331	3,452	7,439	5,007	179,032
Donated	-	3,379	-	5,144	4,942	194	13,659
Total at 1 April 2008	53,586	94,596	18,331	8,596	12,381	5,201	192,691
Net book values carried forward							
Purchased	42,208	96,404	7,073	9,025	8,614	4,826	168,150
Donated	-	2,517	-	781	6,744	2,963	13,005
Total at 31 March 2009	42,208	98,921	7,073	9,806	15,358	7,789	181,155
Asset financing							
Owned	42,208	98,921	7,073	9,806	14,073	7,705	179,786
Finance Leased	-	-	-	-	1,285	84	1,369
Total at 31 March 2009	42,208	98,921	7,073	9,806	15,358	7,789	181,155

14. Property, plant and equipment (continued)

14.1 Economic lives of property, plant and equipment

Details of asset lives for each class of asset are :

	Minimum life in years	Maximum life in years
Buildings excluding dwellings	25	40
Dwellings	25	40
Plant and machinery	4	7
Transport equipment	2	7
Information Technology	2	4
Furniture and fittings	4	7

15. Intangible assets

The Trust has no intangible assets to report.

16 Investment properties

The following properties all owned by the Trust and are leased out on operating leases. The asset values are as follows:

	Land £000	Buildings £000	Total £000
2009/10 :			
Valuation at 1 April 2009	14,000	8,795	22,795
Revaluation	-	-	-
Fair value at 31 May 2009	<u>14,000</u>	<u>8,795</u>	<u>22,795</u>
	Land £000	Buildings £000	Total £000
2008/09 :			
Valuation at 1 April 2008	14,625	10,299	24,924
Unrealised loss on revaluation	(625)	(1,504)	(2,129)
Fair value at 31 March 2009	<u>14,000</u>	<u>8,795</u>	<u>22,795</u>

Assets are stated at fair value.

The assets were valued as at 31 May 2009 by Drivers Jonas LLP (an independent valuer). The valuation was performed in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual and in accordance with International Financial Reporting requirements. The assets were valued by reference to the market conditions prevailing at the valuation date but used to restate the value of assets at 31 March (prior period) because the figures obtained from the revaluation exercise were considered to be a closer estimation of the assets fair value on that date.

During the period £166,000 was recognised as rental income from operating leases on this property (see note 7). The rental terms are typically for 5 to 10 years .

The properties are leased out on tenants repairing leases (meaning that the lessor retains responsibility for repairs and maintenance) so any direct operating expenses relating to the property are considered immaterial and are not recorded.

There are no current contractual obligations to construct or develop the properties.

17. Impairments

	Two months to 31 May 2009 £000	Year ended 31 March 2009 £000
Property, plant and equipment impairments and reversals charged to the income statement		
Revaluation	<u>-</u>	<u>(4,957)</u>
Property, plant and equipment impairments and reversals charged to the revaluation reserve and donated asset		
Revaluation	<u>-</u>	<u>(40,478)</u>

18. Capital Commitments

Contracted capital commitments at 31 March not otherwise included in these financial statements:

	31 May 2009 £000	31 March 2009 £000
Property, plant and equipment	<u>4,550</u>	<u>5,177</u>

Of the above £4,550,000 capital commitments, £1,821,000 relates to the development of Thoracic Theatres at Harefield Hospital, £1,154,000 relates to the development of Biomedical Research Units (advanced lung disease units) and £484,000 relates to the Ris Pacs (Heart lab) project. The remaining £1,091,000 is committed to many smaller capital programmes.

19. Inventories

19.1 Inventories

	31 May 2009 £000	31 March 2009 £000
Drugs	941	1,036
Consumables	6,419	5,980
Total	<u>7,360</u>	<u>7,016</u>

Of which held at net realisable value : 0 0

19.2 Inventories recognised in expenses

	Two months to 31 May 2009 £000	Year ended 31 March 2009 £000
Write-down of inventories (including losses)	3	20
	<u>3</u>	<u>20</u>

20. Trade and other receivables

20.1 Trade and other receivables

	Current		Non-current	
	31 May 2009 £000	31 March 2009 £000	31 May 2009 £000	31 March 2009 £000
Amounts falling due within one year:				
NHS receivables	17,007	10,231	-	-
Other trade receivables	5,771	5,308	-	-
VAT	122	687	-	-
Accrued income	1,549	1,471	-	-
Provision for impairment of receivables	(1,102)	(1,125)	-	-
Prepayments	4,334	2,754	-	-
Other receivables	2,367	2,170	-	-
Total	<u>30,048</u>	<u>21,496</u>	<u>0</u>	<u>0</u>

NHS receivables include £2,753,000 (2008/09 £3,033,000) as the value of partially completed patient episodes at 31 May 2009.

Other receivables include £2,367,000 receivable from the Royal Brompton and Harefield Hospital Charitable Fund (2008/09 £2,163,000)

The great majority of trade is with Primary Care Trusts, as commissioners for NHS patient care services. As Primary Care Trusts are funded by government to buy NHS patient care services, no credit scoring of them is considered necessary.

20.2 Receivables past due date but not impaired	31 May 2009 £000	31 March 2009 £000
By up to 3 months	5,036	3,591
By 3 to 6 months	491	688
By more than 6 months	1,231	1,111
Total	6,758	5,390

20.3 Provision for impairment of receivables

	31 May 2009 £000	31 March 2009 £000
Balance brought forward	1,125	1,358
Amount written off during the period	(3)	(185)
Decrease in receivables impaired	(21)	(48)
Balance carried forward	1,101	1,125

Receivables written off in the period related miscellaneous non-NHS debt that became impaired when management take the view that all appropriate means and methods of collecting the debt have been exhausted.

21 Other financial or current assets

The Trust has no other financial or current assets to report.

22 Cash and cash equivalents

	31 May 2009 £000	31 March 2009 £000
Balance brought forward	2,735	634
Net change in period	1,141	2,101
Balance carried forward	3,876	2,735

The cash and equivalent balance is made up of the following:

Cash with Office of HM Paymaster General	3,961	5,433
Commercial banks and cash in hand	(85)	(2,698)
Cash and cash equivalents as in cash flow statement	3,876	2,735

The negative figure for the commercial banks and cash in hand of £85,000 (2008/09 £2,698,000) represents a cashbook overdrawn position only and not a creditor (i.e. it includes BACS and cheque payments not yet presented at the bank). Funds to cover this position were transferred from the trust's account with the Office of HM Paymaster General prior to these payments being cleared.

23 Trade and other payables

	Current	
	31 May 2009	31 March 2009
	£000	£000
NHS payables	5,370	2,316
Non - NHS trade payables - revenue	10,591	12,335
Tax & social security costs	3,293	476
Accruals	7,879	4,845
Deferred income	4,778	3,865
Other	1,610	93
Total trade and other payables	33,521	23,930

Other payables include £1,574,000 outstanding pension contributions at 31 March 2009 (31 March 2009 £51,000).

There were no non-current trade and other payables in either period.

24 Borrowings

	31 May 2009	31 March 2009
	£000	£000
Current		
Finance lease liabilities	313	375
Other	-	-
Total current borrowings	313	375
Non-Current		
Finance lease liabilities	766	766
Other	-	-
Total non-current borrowings	766	766
Total borrowings	1,079	1,141

Payment of principle falling due in:

	31 May 2009
	£000
0 - 1 years	313
1 - 2 years	278
Over 2 years	488
	1,079

25 Other liabilities

The trust had no other liabilities.

24 Finance lease obligations

Amounts payable under finance leases:

	Minimum lease payments		Present value of minimum lease payments	
	31 May 2009 £000	2008/09 £000	31 May 2009 £000	2008/09 £000
Plant and equipment				
Within one year	350	420	313	375
Between one and five years	817	818	766	766
After five years	-	-	-	-
Less future finance charges	(88)	(97)	-	-
Present value of minimum lease payments	<u>1,079</u>	<u>1,141</u>	<u>1,079</u>	<u>1,141</u>
Included in:				
Current borrowings	313	375	313	375
Non-current borrowings	<u>766</u>	<u>766</u>	<u>766</u>	<u>766</u>
Total	<u>1,079</u>	<u>1,141</u>	<u>1,079</u>	<u>1,141</u>

At 31 May the trust was party to 28 finance lease agreements in order to acquire the use of a wide range of equipment. The totals payable throughout the lease terms of this equipment ranges from £14,000 (lowest) to £602,000 (highest).

It has not entered into any finance leases for the use of land or buildings and no contingent rents are payable or sublease receipts.

The finance lease terms typically do not contain options to purchase the equipment and where leases are renewed, they are renegotiated towards the end of the lease term.

Early termination sums are payable by the Trust where contracts are terminated early.

In the majority of cases, it is the responsibility of the Trust to keep the goods serviced, maintained and repaired and in good working order.

All lease contracts are governed and construed according to English law.

The total future minimum lease payments is discounted by the interest rate inherent in the leases at their inception to arrive at the present value of minimum lease payments. The difference between the two figures represents the finance charge to be treated as interest payable the term of the leases.

The trust has no finance lease receivables

25 Finance lease commitments

The trust has entered into no further finance lease agreements.

26 Other financial liabilities

The trust has no other financial liabilities to disclose.

27 Provisions

	Current		Non current	
	31 May 2009 £000	31 March 2009 £000	31 May 2009 £000	31 March 2009 £000
Pensions relating to other staff	78	78	1,069	1,061
Legal claims	<u>101</u>	<u>107</u>	<u>-</u>	<u>-</u>
	<u>179</u>	<u>185</u>	<u>1,069</u>	<u>1,061</u>
	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Total £000
At 1 April 2009	-	1,139	107	1,246
Arising during the period	-	5	-	5
Utilised during the period	-	0	(6)	(6)
Unwinding of discount	-	3	-	3
Balance at 31 May 2009	<u>-</u>	<u>1,147</u>	<u>101</u>	<u>1,248</u>
Expected timing of cash flows:				
Within one year	-	78	101	179
Between one and five years	-	312	-	312
After five years	-	<u>757</u>	-	<u>757</u>

The provision for pensions is calculated using expected life tables and is discounted over the forecast period the life of the pension recipient. They are therefore subject to a degree of uncertainty in amount and timing.

£15,318,000 is included in the provisions of the NHS Litigation Authority at 31 May 2009 in respect of clinical negligence liabilities of the NHS Trust (31 March 2009 £10,811,000).

28 Contingencies

	31 May 2009 £000	31 March 2009 £000
Contingent liabilities	<u>(42)</u>	<u>(37)</u>
Contingent Assets	<u>8</u>	<u>8</u>

Both contingent assets and liabilities arise from clinical negligence balances as advised by the NHS Litigation Authority and are linked to the provisions against legal claims show in note 27.

29 Financial Instruments

29.1 Financial assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
NHS receivables	-	10,231	-	10,231
Non NHS receivables	-	8,511	-	8,511
Cash at bank and in hand	-	2,735	-	2,735
Total at 31 March 2009	<u>-</u>	<u>21,477</u>	<u>-</u>	<u>21,477</u>
NHS receivables	-	17,007	-	17,007
Non NHS receivables	-	8,707	-	8,707
Cash at bank and in hand	-	3,876	-	3,876
Total at 31 May 2009	<u>-</u>	<u>29,590</u>	<u>-</u>	<u>29,590</u>

29.2 Financial liabilities

	At 'fair value through profit and loss'	Other	Total
	£000	£000	£000
NHS payables	-	(2,316)	(2,316)
Non NHS payables	-	(21,614)	(21,614)
Borrowings (finance lease obligations)	-	(1,141)	(1,141)
Total at 31 March 2009	<u>-</u>	<u>(25,071)</u>	<u>(25,071)</u>
NHS payables	-	(5,370)	(5,370)
Non NHS payables	-	(28,151)	(28,151)
Borrowings (finance lease obligations)	-	(1,079)	(1,079)
Total at 31 May 2009	<u>-</u>	<u>(34,600)</u>	<u>(34,600)</u>

29.3 Financial risk management

Financial Reporting Standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with Primary Care Trusts and the way those Primary Care Trusts are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's Standing Financial Instructions and policies agreed by the Board of Directors. Trust treasury activity is subject to review by the Trust's internal auditors.

Currency risk

The Trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The Trust has no overseas operations. The Trust therefore has low exposure to currency rate fluctuations.

Interest-rate risk

The Trust borrows from Government for capital expenditure subject to affordability as confirmed by the Strategic Health Authority. The borrowings are for 1-25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because of the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposure as at 31 May 2009 are in receivables from customers, as disclosed in the Trade and Other Receivables note.

Liquidity risk

The Trust's new operating costs are incurred under contract with Primary Care Trusts, which are financed from resources voted annually by Parliament. The trust funds its capital expenditure from funds obtained within its Prudential Borrowing Limit. The Trust is not, therefore, exposed to significant liquidity risks.

30 Events after the balance sheet date

The Trust was authorised as a Foundation Trust with effect from 1 June 2009 and now operates as Royal Brompton and Harefield NHS Foundation Trust.

31 Financial Performance Targets

31.1 Breakeven Performance

The trust's breakeven performance for the period to 31 May 2009 is as follows:

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2 months to 31 May 2009
	£000	£000	£000	£000	£000	£000	£000
Turnover	164,200	176,463	193,785	212,762	230,924	241,004	42,040
Retained surplus/(deficit) for the year	6	(3,217)	3,240	3,340	3,566	3,173	547
Break-even in-year position	6	(3,217)	3,240	3,340	3,566	3,173	547
Break-even cumulative position	52	(3,165)	75	3,415	6,981	10,154	10,701

The figures given for periods prior to 2009/10 are on a UK GAAP basis as that is the basis on which the targets were set for those years. From 1 April 2009 targets are set on an IFRS basis.

31.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets each financial year. For the two month period to 31 May 2009, this rate is 0.58% pro rated. The capital absorption rate is calculated as the percentage that dividends paid on public dividend capital, totalling £1,135,000, bears to the average relevant net assets of £194,593,000 that is 0.58%.

35 Third Party Assets

Under the Tenancy Deposit Scheme, the Trust holds £101,000 in a deposit account for tenants renting accommodation owned by the Trust.

36 Intra-Government and Other Balances

	Current receivables	Non-current receivables	Current payables	Non-current payables
	£000	£000	£000	£000
Balances with other Central Government Bodies	16,611	-	5,341	-
Balances with Local Authorities	-	-	6	-
Balances with NHS Trusts and Foundation Trusts	396	-	29	-
Intra Government balances	17,007	-	5,376	-
Balances with bodies external to Government	13,041	-	28,145	-
Balance at 31 May 2009	30,048	-	33,521	-
Balances with other Central Government Bodies	9,568	-	2,514	-
Balances with Local Authorities	-	-	57	-
Balances with NHS Trusts and Foundation Trusts	663	-	325	-
Intra Government balances	10,231	-	2,896	-
Balances with bodies external to Government	11,265	-	21,034	-
Balance at 31 March 2009	21,496	-	23,930	-

37 Losses and Special Payments

There were 18 cases of losses and special payments (2008/09: 199 cases) totalling £4,078 (2008/09: £218,564) during the two month period to 31 May 2009.

31.3 External financing

The Trust is given an external financing limit for each full financial year which it is permitted to undershoot.

	Two months to 31 May 2009	Year ended 31 March 2009
£000	£000	£000
External financing limit	(116)	1,501
Cash flow financing	1,141	
External financing requirement	<u>1,141</u>	<u>600</u>
Undershoot	<u>1,025</u>	<u>2,101</u>

The position shows an undershoot of £1,025,000 during the two months to 31 May 2009.

As at 31 May 2009, the EFL allocation for the whole year from 1 April 2009 to 31 March 2010 is a negative £694,000. The negative £116,000 limit shown above represents 2/12ths of this amount.

31.4 Capital Resource Limit

The Trust is given a capital resource limit which it is not permitted to overspend

	Two months to 31 May 2009	Year ended 31 March 2009
£000	£000	£000
Gross capital expenditure	1,745	12,171
Less: donations towards the acquisition of fixed assets	<u>(319)</u>	<u>(1,770)</u>
Charge against the capital resource limit	1,426	10,401
Capital resource limit	2,465	10,461
Under spend against the capital resource limit	<u>1,039</u>	<u>60</u>

The position shows an undershoot of £1,039,000 during the two months to 31 May 2009.

The CRL allocation for the whole year from 1 April 2009 to 31 March 2010 is £14,788,000. The £2,465,000 limit shown above represents 2/12ths of this amount.

32. Related Party Transactions

The Royal Brompton and Harefield NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the period none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with the Trust.

The Department of Health is regarded as a related party. During the period the Royal Brompton and Harefield NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are Strategic Health Authorities, Primary Care Trusts, NHS Trusts, the NHS Litigation Authority and the NHS Supplies Chain.

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with Imperial College of Science, Technology and Medicine (relating to research projects) and the London Borough of Hillingdon and the Royal Borough of Kensington and Chelsea (relating to National Non-Domestic Rates). The Trust operates in close collaboration with the National Heart and Lung Institute of Imperial College of Science, Technology and Medicine to deliver education, research and medical care.

The Trust has also accounted for revenue and capital receipts and receivables from Royal Brompton & Harefield Hospital Charitable Funds, being contributions for the purchase of fixed assets £51,000 (2008/09 £1,770,000), funding of benefits £83,000 (2008/09 £312,000) and contributions towards research activity £302,000 (2008/09 £1,314,000). £2,367,000 was owed to the Trust by the charity on 31 May 2009 and this is included in the Trust's debtors figure (see note 20). The Trust acts as a corporate trustee of the charitable funds, whose audited accounts are available separately.

33. Private Finance Transactions

The Trust has no PFI schemes to report on.

34 Pooled Budget

The Trust has no pooled budgets to report on.

38 Transition to IFRS

	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Total £000
Taxpayer's equity at 31 March 2009 under UK GAAP	20,479	65,258	13,516	99,253
Adjustments for IFRS changes:				
Operating leases reclassified as finance leases	142	116		258
Net investment property revaluation	15,102	(12,496)		2,606
Gains of revaluation of property		51,858	504	52,362
Impairments recognised on transition	(4,957)	(39,463)	(1,015)	(45,435)
Taxpayers equity at 1 April 2009 under IFRS	<u>30,766</u>	<u>65,273</u>	<u>13,005</u>	<u>109,044</u>
Surplus for 2008/09 under UK GAAP	£000			
Adjustments for IFRS changes:	3,173			
Leases	(80)			
Investment property revaluation	(2,129)			
Impairments due to revaluation of property under IFRS	(4,957)			
Deficit for 2008/09 under IFRS	<u>(3,993)</u>			

The UK GAAP 2008/09 cash flow statement included net movements in liquid resources of £2,101,000. This net movement is included in the bottom line cash and cash equivalents figure in the accounts to 31 March 2009 statement of cash flows under IFRS.

The transition to IFRS has affected the reported financial results by reducing the reported 2008/09 surplus from £3,173,000 to a deficit of £3,993,000

The transition to IFRS has resulted in an adjustment of £7,166,000 to the 2008/09 accounts of the Trust. £4,957,000 of this adjustment is due to the revaluation of property according to IAS 16. £2,129,000 is due to the application of IAS 40, in that investment properties have been accounted for separately for the first time, and the unrealised loss the revaluation of the investment properties charged directly to the income statement. The remaining £80,000 is a result of the reclassification of finance leases and associated finance costs (IAS 17). IAS 40 has been applied retrospectively, and therefore increases in the value of investment property that was previously posted to the revaluation reserve have been reversed out and posted to retained earnings instead. This has resulted in a £12,496,000 transfer from the revaluation reserve to retained earnings.

Apart from minor presentational changes, IFRS has had no effect on the cash flow.