

**CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR  
ENDED  
31 MARCH 2015**



# INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOVERNORS OF EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST

## Opinions and conclusions arising from our audit

### 1 *Our opinion on the financial statements is unmodified*

We have audited the financial statements of East Kent Hospitals University NHS Foundation Trust for the year ended 31 March 2015 set out on pages 1 to 38. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Trust's affairs as at 31 March 2015 and of the Group's and the Trust's income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2014/15.

### 2 *Our assessment of risks of material misstatement*

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

NHS Income Recognition - £486.6 million

Refer to page 5 (accounting policy), pages 14 and 29 (financial disclosures) and to the Integrated Audit and Governance Committee Report.

The risk: The main source of income for the Group is the provision of healthcare services to the public under contracts with NHS commissioners, which makes up 98% of income from activities. The Group participates in the national Agreement of Balances exercise for the purpose of ensuring that intra-NHS balances are eliminated on the consolidation of the Department of Health's resource accounts. The Agreement of Balances exercise identifies mis-matches between receivable and payable balances recognised by the Group and its commissioners, which will be resolved after the date of approval of these financial statements. For these financial statements the Group identifies the specific cause, and accounts for the expected future resolution, of each individual difference. Mis-matches can occur for a number of reasons, but the most significant arise where:

- the Trust and commissioners record different accruals for completed periods of healthcare which have not yet been invoiced; and
  - income relating to partially completed period of healthcare is apportioned across the financial years and the commissioners and the Trust make different apportionment assumptions.
- Where there is a lack of agreement, mis-matches can also be classified as formal disputes and referred to NHS England Area Teams for resolution. Our response: In this area our audit procedures included:
- for estimated accruals relating to completed periods of healthcare, comparing a sample of accruals to the invoice raised in the new financial year and checking evidence of payment/acceptance;
  - for partially-completed periods of healthcare, inspecting a sample of related invoices raised in the new financial year and related records of patient care to assess the appropriateness of the apportionment of income between financial years;

- Considering the adequacy of the disclosures about the key judgments and degree of estimation involved in arriving at the estimate of revenue receivable and the related sensitivities;
- Investigated contract variations and sought explanations from management for any variations;
- In 2014/15 the Trust participated in the Agreement of Balances exercise with other NHS organisations. We reviewed these third party confirmations from your commissioners and compared the values they disclosed within their financial statements to the value of income captured in your financial statements; and
- We confirmed the basis upon which provisions for debt have been made. Valuation of land, buildings and dwellings - £259.5 million

Refer to pages 6 and 7 (accounting policy), page 25 (financial disclosures) and to the Integrated Audit and Governance Committee Report.

The risk: Land and buildings for the Trust are required to be maintained at up to date estimates of year-end market value in existing use (EUV) for non-specialised property assets in operational use, and, for specialised assets where no market value is readily ascertainable, the depreciated replacement cost of a modern equivalent asset that has the same service potential as the existing property (MEAV). There is significant judgment involved in determining the appropriate basis (EUV or MEAV) for each asset according to the degree of specialization, as well as over the assumptions made in arriving at the valuation and the condition of the asset. In particular, the MEAV basis requires an assumption as to whether the replacement asset would be situated on the existing site or, if more appropriate, on an alternative site, with a potentially significant effect on the valuation.

For 2014/15 the Trust commissioned a full revaluation of land and buildings from an external valuer.

#### **Our response: In this area our audit procedures included:**

- We assessed, with input from our internal valuation experts, the competence, capability, objectivity and independence of the Trust's external valuer and considering the terms of engagement of, and the instructions issued to, the valuer for consistency with the requirements of the NHS Foundation Trust Annual Reporting Manual;
- We challenged the appropriateness of the valuation bases and assumptions applied to the assets through a comparison with national indices and trends; and
- We considered the adequacy of the disclosures about the key judgments and degree of estimation involved in arriving at the valuation and the related sensitivities.

### **3 Our application of materiality and an overview of the scope of the audit**

The materiality for the Group financial statements as a whole was set at £10 million, determined with reference to a benchmark of income from operations of £534.2 million (of which it represents approximately 2%).

We report to the Integrated Audit and Governance Committee any corrected and uncorrected identified misstatements exceeding £250,000 in addition to other identified misstatements that warrant reporting on qualitative grounds. The Group has three reporting components; the Trust, East Kent Hospitals Charity and Healthex Limited. One of the components, Healthex Limited was not subject to audit by us. The remaining components were subject to audits for group reporting purposes performed by the Group audit team at one location in Kent and Canterbury Hospital. These audits covered 99% of group income, surplus for the year and total assets. The audits performed for group reporting purposes were all performed to materiality levels set individually for each component (£10 million for the Trust and £80,000 for the East Kent Hospitals Charity).

### **4 Our opinion on other matters prescribed by the Audit Code for NHS Foundation Trusts is unmodified**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2014/15; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **5 We have nothing to report in respect of the following matters on which we are required to report by exception**

Under ISAs (UK&I) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for patients, regulators and other stakeholders to assess the Trust's performance, business model and strategy; or
  - the Integrated Audit and Governance Committee Report does not appropriately address matters communicated by us to the audit committee.
- Under the Audit Code for NHS Foundation Trusts we are required to report to you if in our opinion:
- the Annual Governance Statement does not reflect the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2014/15, is misleading or is not consistent with our knowledge of the Trust and other information of which we are aware from our audit of the financial statements.

We have nothing to report in respect of the above responsibilities.

### **6 Other matters on which we report by exception - adequacy of arrangements to secure value for money**

Under Section 62(1) of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts, we have a duty to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Trust was inspected by the Care Quality Commission in 2014 and the final report was published on 13 August 2014. As a result Monitor found the Trust to be in breach of the following provisions of condition FT4 of its provider licence:

- FT4 (4) (b) - clear responsibilities for its Board, for committees reporting to the Board and for staff reporting to the Board and those committees and
- (c) clear reporting lines and accountabilities throughout its organisation.

- FT4(5) (a) to ensure compliance with the Licensee's duty to operate efficiently, economically and effectively; (b) for timely and effective scrutiny and oversight by the

Board of the Licensee's operations; (c) to ensure compliance with health care standards binding on the Licensee including but not restricted to standards specified by the Secretary of State, the Care Quality Commission, the NHS Commissioning Board and statutory regulators of health care professions; Section 6 - NHS Foundation Trust Conditions 41 (d) for effective financial decision-making, management and control (including but not restricted to appropriate systems and/or processes to ensure the Licensee's ability to continue as a going concern); (e) to obtain and disseminate accurate, comprehensive, timely and up to date information for Board and Committee decision-making; (f) to identify and manage (including but not restricted to manage through forward plans) material risks to compliance with the Conditions of its Licence.

- FT4(6) (c) the collection of accurate, comprehensive, timely and up to date information on quality of care; (d) that the Board receives and takes into account accurate, comprehensive, timely and up to date information on quality of care; (e) that the Licensee including its Board actively engages on quality of care with patients, staff and other relevant stakeholders and takes into account as appropriate views and information from these sources; and (f) that there is clear accountability for quality of care throughout the Licensee's organisation including but not restricted to systems and/or processes for escalating and resolving quality issues including escalating them to the Board where appropriate.

- FT4(7) The Licensee shall ensure the existence and effective operation of systems to ensure that it has in place personnel on the Board, reporting to the Board and within the rest of the Licensee's organisation who are sufficient in number and appropriately qualified to ensure compliance with the Conditions of this Licence.

The Trust remains in special measures. The actions taken by the Trust to mitigate these concerns are set out in the Annual Report along with a summary of progress made to date.

As a result of these matters, we are unable to satisfy ourselves that the Trust made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

#### **Certification of audit completion**

We certify that we have completed the audit of the accounts of East Kent Hospitals University NHS Foundation Trust in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by Monitor.

The certificate has been issued subject to the qualification that we have been unable to satisfy ourselves that the Trust made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

#### **Respective responsibilities of the accounting officer and auditor**

As described more fully in the Statement of Accounting Officer's Responsibilities the accounting officer is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

#### **Scope of an audit of financial statements performed in accordance with ISAs (UK and Ireland)**

A description of the scope of an audit of financial statements is provided on our website at [www.kpmg.com/uk/auditscopeother2014](http://www.kpmg.com/uk/auditscopeother2014). This report is made subject to important explanations regarding our responsibilities, as published on that website, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

#### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Council of Governors of the Trust, as a body, in accordance with Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Council of Governors of the Trust, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Governors of the Trust, as a body, for our audit work, for this report or for the opinions we have formed.

**Philip Johnstone**

**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants 15 Canada Square Canary Wharf  
London E14 5GL

27 May 2015

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## **FOREWORD TO THE ACCOUNTS**

### **EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST**

These accounts, for the 12 months ended 31 March 2015, have been prepared by the Board of Directors of East Kent Hospitals University NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006, and in accordance with directions made by Monitor, the Independent Regulator of NHS Foundation Trusts.

Signed:

A handwritten signature in blue ink, appearing to be 'A. Munro', is written over a diagonal blue line.

Chief Executive

Date: 21st May 2015

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015**

	NOTE	Group 2014/15 £000	Trust 2014/15 £000	Group 2013/14 £000	Trust 2013/14 £000
Operating Income from continuing operations	2.1	534,155	529,028	525,845	521,480
Operating Expenses of continuing operations	3.1	(532,248)	(527,541)	(511,903)	(507,503)
<b>Operating surplus</b>		<b>1,908</b>	<b>1,487</b>	<b>13,942</b>	<b>13,977</b>
<b>Finance costs:</b>					
Finance income	6	246	200	307	258
Finance costs	7.1	(4)	0	(4)	0
Finance expense - unwinding of discounts on provisions	19	(303)	(303)	(72)	(72)
Public dividend capital dividends payable		(9,391)	(9,391)	(8,291)	(8,291)
<b>Net Finance costs</b>		<b>(9,452)</b>	<b>(9,494)</b>	<b>(8,060)</b>	<b>(8,105)</b>
		0			
Movement in fair value of investment property	10.1	220	0	94	0
Corporation tax expense	29	(98)	0	(40)	0
<b>Surplus from continuing operations</b>		<b>(7,423)</b>	<b>(8,007)</b>	<b>5,936</b>	<b>5,872</b>
Surplus/(deficit) of discontinued operations and the gain/(loss) on disposal of discontinued operations		0	0	0	0
<b>Surplus for the year</b>		<b>(7,423)</b>	<b>(8,007)</b>	<b>5,936</b>	<b>5,872</b>
<b>Other comprehensive income</b>					
(Impairments)/Reversal of impairments	20	5,555	5,555	8,220	8,220
Revaluations	20	6,169	6,169	5,377	5,138
Other Reserve Movements - Charitable Funds		(6)	0	0	0
Fair Value gains/(losses) on available-for-sale financial investments	10.1	0	0	80	0
<b>Total comprehensive income/(expense) for the year</b>		<b>4,296</b>	<b>3,717</b>	<b>19,613</b>	<b>19,230</b>

The notes on pages 5 to 38 form part of these accounts.

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015**

		<b>Group</b>	<b>Trust</b>	<b>Group</b>	<b>Trust</b>
		<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
		<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>NOTE</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Non-current assets</b>					
Intangible assets	8	2,760	2,760	2,031	2,031
Property, plant and equipment	9	319,420	316,522	294,115	291,147
Investment property	10.1	800	0	787	0
Other investments	10.1	3,074	48	2,923	48
Trade and other receivables	14.1	2,617	4,061	2,357	3,884
<b>Total non-current assets</b>		<b>328,671</b>	<b>323,391</b>	<b>302,213</b>	<b>297,110</b>
<b>Current assets</b>					
Inventories	13.1	9,033	9,033	7,695	7,695
Trade and other receivables	14.1	27,882	27,219	39,285	40,580
Non current assets for sale and assets in disposal groups	12	0	0	0	0
Cash and cash equivalents	22	32,134	31,295	44,704	43,980
<b>Total current assets</b>		<b>69,049</b>	<b>67,548</b>	<b>91,684</b>	<b>92,255</b>
<b>Total assets</b>		<b>397,720</b>	<b>390,939</b>	<b>393,897</b>	<b>389,365</b>
<b>Current liabilities</b>					
Trade and other payables	15.1	(55,253)	(54,499)	(59,941)	(60,396)
Borrowings	17	(29)	0	(30)	0
Provisions	19	(2,080)	(2,080)	(2,886)	(2,886)
Other current liabilities	16	(8,803)	(8,536)	(5,182)	(5,182)
<b>Total current liabilities</b>		<b>(66,165)</b>	<b>(65,115)</b>	<b>(68,039)</b>	<b>(68,464)</b>
<b>Total assets less current liabilities</b>		<b>331,555</b>	<b>325,824</b>	<b>325,858</b>	<b>320,901</b>
<b>Non-current liabilities</b>					
Trade and other payables	15.1	(88)	0	0	0
Borrowings	17	(39)	0	(35)	0
Other Financial Liabilities		(102)	0	0	0
Provisions	19	(2,674)	(2,674)	(2,463)	(2,463)
<b>Total non-current liabilities</b>		<b>(2,903)</b>	<b>(2,674)</b>	<b>(2,498)</b>	<b>(2,463)</b>
<b>Total assets employed</b>		<b>328,652</b>	<b>323,151</b>	<b>323,360</b>	<b>318,438</b>
<b>Financed by (taxpayers' equity):</b>					
Public dividend capital		190,709	190,709	189,713	189,713
Revaluation reserve	20	88,985	88,746	77,306	77,067
Income and expenditure reserve		44,244	43,696	52,027	51,658
Charitable fund reserves	21	4,714	0	4,314	0
<b>Total Taxpayers' Equity</b>		<b>328,652</b>	<b>323,151</b>	<b>323,360</b>	<b>318,438</b>

The financial statements on pages 5 to 38 were approved by the Board of Directors on 21st May 2015 and signed on its behalf by:

Signed:



Chief Executive



**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY****Group**

	Public dividend capital (PDC) £000	Revaluation reserve £000	Income and Expenditure Reserve £000	NHS Charitable Funds Reserves £000	Total £000
<b>Taxpayers equity at 1 April 2014</b>	<b>189,713</b>	<b>77,306</b>	<b>52,027</b>	<b>4,314</b>	<b>323,360</b>
Surplus/(deficit) for the year	0	0	(8,469)	1,046	(7,423)
Impairments	0	5,555	0	0	5,555
Revaluations	0	6,169	0	0	6,169
Fair value gains/(losses) on available for sale financial investments	0	0	0	0	0
Asset disposals	0	0	0	0	0
Other recognised gains and losses	0	0	0	0	0
Public Dividend Capital received	996	0	0	0	996
Other reserve movements	0	(45)	45	(6)	(6)
Other reserve movements - charitable funds consolidation adjustment	0	0	640	(640)	0
<b>Taxpayers equity at 31 March 2015</b>	<b>190,709</b>	<b>88,985</b>	<b>44,244</b>	<b>4,714</b>	<b>328,652</b>

**Trust**

	Public dividend capital (PDC) £000	Revaluation reserve £000	Income and Expenditure Reserve £000	Total £000
<b>Taxpayers equity at 1 April 2014</b>	<b>189,713</b>	<b>77,067</b>	<b>51,658</b>	<b>318,438</b>
Surplus/(deficit) for the year	0	0	(8,007)	(8,007)
Impairments	0	5,555	0	5,555
Revaluations	0	6,169	0	6,169
Asset disposals	0	0	0	0
Public Dividend Capital	996	0	0	996
Other recognised gains and losses	0	(45)	45	0
Other reserve movements				0
<b>Taxpayers equity at 31 March 2015</b>	<b>190,709</b>	<b>88,746</b>	<b>43,696</b>	<b>323,151</b>

**Group**

	Public dividend capital (PDC) £000	Revaluation reserve £000	Income and Expenditure Reserve £000	NHS Charitable Funds Reserves £000	Total £000
<b>Taxpayers equity at 1 April 2013</b>	<b>189,525</b>	<b>63,923</b>	<b>45,558</b>	<b>4,553</b>	<b>303,559</b>
Surplus/(deficit) for the year	0	0	5,467	469	5,936
Impairments	0	8,220	0	0	8,220
Revaluations	0	5,377	0	0	5,377
Fair value gains/(losses) on available for sale financial investments	0	0	0	80	80
Asset disposals	0	(214)	214	0	0
Public Dividend Capital	0	0	0	0	0
Other reserve movements	188	0	0	0	188
Other reserve movements - charitable funds consolidation adjustment	0	0	788	(788)	0
<b>Taxpayers equity at 31 March 2014</b>	<b>189,713</b>	<b>77,306</b>	<b>52,027</b>	<b>4,314</b>	<b>323,360</b>

**Trust**

	Public dividend capital (PDC) £000	Revaluation reserve £000	Income and Expenditure Reserve £000	Total £000
<b>Taxpayers equity at 1 April 2013</b>	<b>189,525</b>	<b>63,923</b>	<b>45,572</b>	<b>299,020</b>
Surplus/(deficit) for the year	0	0	5,872	5,872
Impairments	0	8,220	0	8,220
Revaluations	0	5,138	0	5,138
Asset disposals	0	(214)	214	0
Public Dividend Capital	188	0	0	188
Other recognised gains and losses	0	0	0	0
Other reserve movements	0	0	0	0
<b>Taxpayers equity at 31 March 2014</b>	<b>189,713</b>	<b>77,067</b>	<b>51,658</b>	<b>318,438</b>

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015**

	NOTE	Group 2014/15 £000	Trust 2014/15 £000	Group 2013/14 £000	Trust 2013/14 £000
<b>Cash flows from operating activities</b>					
Operating surplus/(deficit) from continuing operations		1,908	1,487	13,942	13,977
Operating surplus/(deficit) of discontinued operations		0	0	0	0
<b>Operating surplus/(deficit)</b>		<b>1,908</b>	<b>1,487</b>	<b>13,942</b>	<b>13,977</b>
<b>Non-cash income and expense:</b>					
Depreciation and amortisation	3.1	16,723	16,568	16,621	16,470
Impairments	3.1	262	262	0	0
Reversals of impairments		(546)	(546)	(1,563)	(1,563)
(Gain)/loss on disposal		31	31	112	112
Interest accrued and not paid*		0	0	0	0
Dividends accrued and not received*		0	0	0	0
(Increase)/decrease in Trade and Other Receivables		11,417	14,704	(22,426)	(22,538)
(Increase)/decrease in Inventories		(1,338)	(1,338)	(504)	(504)
Increase/(decrease) in Trade and Other Payables		948	(1,529)	8,373	9,128
Increase/(decrease) in Other current Liabilities		3,621	3,361	3,463	3,463
Increase/(decrease) in Provisions		(898)	(898)	203	220
NHS Charitable funds - net adjustments for working capital movements, non-cash transactions and non-operating cash flows		(254)	(254)	80	0
Other movements in operating cash flows		92	92	0	0
<b>Net cash generated from/(used in) operations</b>		<b>31,966</b>	<b>31,940</b>	<b>18,301</b>	<b>18,765</b>
<b>Cash flows from investing activities:</b>					
Interest received		135	134	182	230
Purchase of intangible assets		(1,411)	(1,411)	(441)	(441)
Purchase of Property, Plant and Equipment		(34,965)	(34,879)	(26,556)	(26,509)
Sales of Property, Plant and Equipment		0	0	0	0
Cash from acquisition of subsidiary		0	0	0	0
NHS Charitable funds - net cash flows from investing activities		174	0	199	0
<b>Net cash generated from/(used in) investing activities</b>		<b>(36,067)</b>	<b>(36,156)</b>	<b>(26,616)</b>	<b>(26,720)</b>
<b>Cash flows from financing activities:</b>					
Interest element of finance leases		(4)	(4)	(4)	0
Capital element of finance leases		(25)	(25)	(26)	0
Public Dividend Capital received		996	996	188	188
PDC Dividend Paid		(9,436)	(9,436)	(8,167)	(8,167)
<b>Net cash generated from/(used in) financing activities</b>		<b>(8,469)</b>	<b>(8,469)</b>	<b>(8,009)</b>	<b>(7,979)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>(12,570)</b>	<b>(12,686)</b>	<b>(16,324)</b>	<b>(15,934)</b>
<b>Cash and cash equivalents at start of period</b>		<b>44,704</b>	<b>43,980</b>	<b>61,028</b>	<b>59,914</b>
<b>Cash and cash equivalents at end of period</b>		<b>32,134</b>	<b>31,295</b>	<b>44,704</b>	<b>43,980</b>

\*Movements in interest and dividends accrued and not paid/received are included in the movement in Trade and other receivables in the current year.

## NOTES TO THE ACCOUNTS

### 1. Accounting policies and other information

Monitor has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the NHS Foundation Trust Annual Reporting Manual (ARM) which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the FT ARM 2014/15 issued by Monitor. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) and HM Treasury's Financial Reporting Manual (FReM) to the extent that they are meaningful and appropriate to NHS foundation trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

#### 1.1 Consolidation

Subsidiary entities are those over which the Trust has the power to exercise control or a dominant influence so as to gain economic or other benefits. The income, expenses, assets, liabilities, equity and reserves of subsidiaries are consolidated in full into the appropriate financial statement lines. The capital and reserves attributable to minority interests are included as a separate item in the Statement of Financial Position. Subsidiaries which are classified as held for sale are measured at the lower of their carrying amount and "fair value less costs to sell".

On 3 December 2012, the Trust acquired a subsidiary company, purchasing 100% of the share capital of Healthex Limited, which is also the parent company of East Kent Medical Services Limited. The subsidiary provides the operation and management of a private hospital. The results of the subsidiary have been consolidated in full for 2014/15 and were consolidated from the date of acquisition for the prior year. The assets and liabilities of the subsidiary have been included in the consolidated Statement of Financial Position. Accounting policies have been aligned and inter company balances have been eliminated.

The Trust is the corporate trustee of the East Kent Hospitals Charity. The Trust has assessed its relationship to the Charity and determined it to be a subsidiary because the Trust has the power to govern the financial and operating policies of the Charity so as to obtain benefits from its activities for itself, its patients or its staff. Prior to 2013/14, the FT ARM permitted foundation trusts not to consolidate charitable funds. From 2013/14, this dispensation was removed and the Trust has consolidated the Charity and reflected this in the accounts.

The Charity's statutory accounts are prepared to 31 March in accordance with the UK Charities Statement of Recommended Practice (SORP) which is based on UK Generally Accepted Accounting Principles (UK GAAP). On consolidation, necessary adjustments are made to the charity's assets, liabilities and transactions to:

- ☐ recognise and measure them in accordance with the Trust's accounting policies; and
- ☐ eliminate intra-group transactions, balances, gains and losses.

#### 1.2 Income

Income 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 income for the Trust is contracts with commissioners in respect of healthcare services. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred. Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

#### 1.3 Expenditure on 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 annual leave entitlement 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.

##### Pension costs

###### NHS Pension Scheme

Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. It is not possible for the Trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme.

Employers pension cost contributions are charged to operating expenses as and when they become due. Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the Trust commits itself to the retirement, regardless of the method of payment. Further details of the NHS Pension Scheme are set out in note 5.8.

The subsidiary, Healthex Limited operates a defined contribution pension scheme. The amounts charged to the Income and Expenditure account represent the contributions payable by the company during the year.

## Notes to the Accounts - 1. Accounting Policies (Continued)

### Redundancy costs

Redundancy costs are recognised as an expense when the Trust is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement age, or to provide benefits as result of an offer made to encourage voluntary resignations. Redundancy costs for voluntary resignations are recognised as an expense if the Trust has made an offer of voluntary resignation, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If the benefits are payable more than twelve months after the reporting period, then they are discounted to their present value.

### 1.4 Expenditure on other goods and services

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

### 1.5 Property, plant and equipment

#### Recognition

Property, plant and equipment is capitalised where:

- 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 be provided to, the trust;
  - it is expected to be used for more than one financial year; and
  - the cost of the item can be measured reliably.
- individual assets have a cost of at least £5,000 or form a group of assets which individually have a cost of more than £250, collectively have a cost of at least £5,000, are functionally interdependent, have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.

Borrowing costs associated with the construction of new assets are not capitalised.

Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

#### Measurement

##### Valuation

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.

All property is revalued using professional valuations every five years, with an interim valuation every 3 years. Where assets are subject to significant volatility, then annual revaluation may be required. A full valuation was carried out as at 31st March 2015. Both full and interim valuations are carried out by professionally qualified valuers, Boshier and Company (RICS qualified), in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

In the years between those in which a revaluation is undertaken the Trust takes advice from Boshier and Company, an independent firm of RICS qualified valuers, as to the movements in land and property values to determine whether indexation is required.

Where substantial works are undertaken between formal valuation exercises the Trust arranges for ad-hoc valuations to be conducted. A valuation of such works was undertaken on the 31st March 2015 for substantial works completed in the financial year 2014/15. For non-specialised operational property the basis of valuation is existing use value. Specialised operational property is valued at depreciated replacement cost, based on a modern equivalent asset. For non-operational properties including surplus land, the valuations are carried out at market value. Assets in the course of construction are valued at cost and are valued by professional valuers as part of the five or three-yearly valuation or when they are brought into use.

Operational plant and equipment is valued at net current replacement cost. Where assets are of low value (have a net book value below £1m), and/or have short useful economic lives (below 10 years), these are carried at depreciated historic cost as a proxy for current value. Equipment surplus to requirements is valued at net recoverable amount.

The carrying values of property and plant and equipment are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. An annual assessment is carried out to review high value equipment for evidence of impairment.

#### Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

## Notes to the Accounts - 1. Accounting Policies (Continued)

### Depreciation

Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated. Property, plant and equipment which has been reclassified as "Held for Sale" ceases to be depreciated upon the reclassification. Assets in the course of construction are not depreciated until the asset is brought into use.

### Revaluation gains and losses

Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating income.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of "other comprehensive income".

### Impairments

In accordance with the FT ARM, impairments that are due to a loss of economic benefits or service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment arising from a loss of economic benefit or service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating income to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of "other impairments" are treated as revaluation gains.

### De-recognition

Assets intended for disposal are reclassified as "Held for Sale" once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable i.e.:
  - management are committed to a plan to sell the asset;
  - an active programme has begun to find a buyer and complete the sale;
  - the asset is being actively marketed at a reasonable price;
  - the sale is expected to be completed within 12 months of the date of classification as "Held for Sale"; and
  - the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their "fair value less costs to sell". Depreciation ceases to be charged. Assets are de-recognised when all material sale contract conditions have been met. Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as "Held for Sale" and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

The table below shows the range of economic lives the Trust assigns to new assets: -

	Minimum life (years)	Maximum life (years)
Buildings excluding dwellings	40	40
Dwellings	40	40
Plant & Machinery	5	15
Transport Equipment	7	7
Information Technology	5	8
Furniture and Fittings	10	10

### Donated, government grant and other grant funded assets

Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met. The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

## Notes to the Accounts - 1. Accounting Policies (Continued)

### 1.6 Intangible assets

#### Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Trust's business or which arise from contractual or other legal rights; and they have a cost of at least £5,000. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Trust and where the cost of the asset can be measured reliably.

#### Internally generated intangible assets

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the Trust intends to complete the asset and sell or use it;
- the Trust has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the Trust to complete the development and sell or use the asset; and
- the Trust can measure reliably the expenses attributable to the asset during development.

#### Software

Software which is integral to the operation of hardware e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset.

#### Measurement

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management. Subsequently intangible assets are measured at fair value. Revaluations gains and losses and impairments are treated in the same manner as for Property, Plant and Equipment. Intangible assets held for sale are measured at the lower of their carrying amount or "fair value less costs to sell".

#### Amortisation

Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

The table below shows the range of economic lives the Trust assigns to new assets: -

	Life
	Years
Software	5

## **Notes to the Accounts - 1. Accounting Policies (Continued)**

### **1.7 Inventories**

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the First In, First Out (FIFO) method.

### **1.8 Financial instruments and financial liabilities**

#### **Recognition**

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

#### **De-recognition**

All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or the Trust has transferred substantially all of the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

#### **Classification and measurement**

Financial assets are categorised as "fair value through income and expenditure," loans and receivables or "available-for-sale financial assets". Categories of financial assets currently held by the Trust are loans and receivables and the investment in the subsidiary, Healthex Limited. The investment portfolio held by the Charity is classed as an available-for-sale financial asset.

Financial liabilities are classified as "fair value through income and expenditure" or as "other financial liabilities". The Trust currently has no financial liabilities at fair value through income and expenditure.

#### **Investment in the subsidiary, Healthex Limited**

The Trust's investment in its subsidiary, Healthex Limited, has been recognised in accordance with IAS 27 in the Trust's financial statements. This investment has been eliminated on consolidation and replaced with the assets and liabilities of the subsidiary.

#### **Financial assets and financial liabilities at "fair value through income and expenditure"**

Financial assets and financial liabilities at "fair value through income and expenditure" are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets and in non current assets for amounts recoverable in more than 12 months.

The Trust's loans and receivables comprise current investments, cash and cash equivalents, NHS debtors, accrued income and "other debtors" including loans (the loans relate to the subsidiary and are thus eliminated in the consolidated position). Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset. Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any of the other categories. They are included in long-term assets unless the trust intends to dispose of them within 12 months of the Statement of Financial Position date.

Available-for-sale financial assets are recognised initially at fair value, including transaction costs, and measured subsequently at fair value, with gains or losses recognised in reserves and reported in the Statement of Comprehensive Income as an item of "other comprehensive income". When items classified as "available-for-sale" are sold or impaired, the accumulated fair value adjustments recognised are transferred from reserves and recognised in "Finance Costs" in the Statement of Comprehensive Income.

## **Notes to the Accounts - 1. Accounting Policies (Continued)**

### **Financial Liabilities**

#### **Other financial liabilities**

All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability. They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities. Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to Finance Costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

#### **Impairment of financial assets**

At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at "fair value through income and expenditure" are impaired. Financial assets are impaired and impairment losses are recognised if, and only 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 the Statement of Comprehensive Income and the carrying amount of the asset is reduced – directly or where available through the use of a bad debt provision.

### **1.9 Leases**

#### **Finance leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The asset and liability are recognised at the commencement of the lease. Thereafter the asset is accounted for an item of property plant and equipment. The annual rental is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability, is de-recognised when the liability is discharged, cancelled or expires.

#### **Operating leases**

Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease.

#### **Leases of land and buildings**

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

### **1.10 Provisions**

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the discount rates published and mandated by HM Treasury.

#### **Clinical negligence costs**

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. 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 19 but is not recognised in the Trust's accounts.

#### **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 when the liability arises.



## **Notes to the Accounts - 1. Accounting Policies (Continued)**

### **1.11 Contingencies**

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 25 where an inflow of economic benefits is probable. Contingent liabilities are not recognised, but are disclosed in note 25, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

### **1.12 Public dividend capital**

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS Trust. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for (i) donated assets (including lottery funded assets), (ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, (iii) for 2013/14 only, net assets and liabilities transferred from bodies which ceased to exist on 1 April 2013, and (iv) any PDC dividend balance receivable or payable. In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

### **1.13 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.

### **1.14 Corporation Tax**

The Trust does not have a corporation tax liability for the year 2014/15. Tax may be payable on activities as described below:

- the activity is not related to the provision of core healthcare as defined under Section 14(1) of the HSCA. Private healthcare falls under this legislation and is not therefore taxable;
- the activity is commercial in nature and competes with the private sector. In house trading activities are normally ancillary to the core healthcare objectives and are therefore not subject to tax;
- the activity must have annual profits of over £50,000. Such activities are normally ancillary to the core healthcare objectives and are therefore not subject to tax.

The Trust's subsidiary Healthex Limited is liable to corporation tax, which is consolidated into the Group financial statements.

## Notes to the Accounts - 1. Accounting Policies (Continued)

### 1.15 Foreign exchange

The functional and presentational currencies of the Trust are sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction. Where the Trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

- monetary items (other than financial instruments measured at fair value through income and expenditure) are translated at the spot exchange rate on 31st March;
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction; and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

### 1.16 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. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's FReM.

### 1.17 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 that individual cases are 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 losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

### 1.18 Accounting Estimates and Judgements

International accounting standard IAS1 requires estimates, assumptions and judgements to be continually evaluated and to be based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The purpose of the evaluation is to consider whether there may be a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year, compared to the carrying value in these accounts. The following significant assumptions and areas of estimation and judgement have been considered in preparing these financial statements.

Value of land, buildings and dwellings, excluding the subsidiary, £260m (2013/14 £242m): This is the most significant estimate in the accounts and is based on the professional judgement of the Trust's independent valuer with extensive knowledge of the physical estate and market factors. The value does not take into account potential future changes in market value which cannot be predicted with any certainty.

Partially Completed Spells: Patients who were admitted on or before the 31st March but have not been discharged before midnight are valued for income purposes based upon the following:-

Number of days plus one they have been in hospital divided by the average length of stay of the average patient treated by the same specialty, multiplied by the mean price of the same specialty. Patients who are being cared for in intensive care are also valued based on the agreed tariff multiplied by the number of days the patient has been cared for up to the 31st March. Using this methodology the value of Partially Completed Spells as at 31st March 2015 is £2.4m, this is compared to £2.7m at 31st March 2014. The valuation as at 31st March 2015 has been agreed with commissioners. Partially completed spells were calculated as at the 24th March as a proxy for the 31st, due to time constraints. It is not expected that there would be a significant variance between the two positions.

Maternity Pathway Adjustment: The Trust receives a full pathway payment for all expectant mothers who started their antenatal care during 2014/15 irrespective of the expected date of delivery. Deferred income has been calculated based on the estimated gestation period remaining for those mothers yet to deliver as at 31st March 2015 and assuming all pregnancies last for a duration of 40 weeks. Using this methodology the value of income deferred to future periods is £1.8m which has been agreed with Commissioners, compared to £2.5m at 31st March 2014. The valuation for 2014/15 was based on 31st March actual data.

Healthcare from other non-NHS bodies: in order to meet waiting time targets, the Trust presently refers some patients for treatment at private/independent hospitals. An estimation of £1.1m is included in 2014/15 operating expenditure for outstanding charges from these organisations, based on referral data held in the Trust's Patient Administration System at 31st March 2015 (2013/14 £0.1m).

Untaken annual leave: no salary costs have been included at year-end for annual leave earned but not taken by employees at 31st March 2015 as the Annual Leave policy was amended in 2013/14 to state that employees are no longer allowed to carry forward leave.

Provisions: Assumptions around the timing of the cashflows relating to provisions are based upon information from the NHS Pensions Agency and expert opinion within the Trust and from external advisers regarding when legal issues may be settled.

## **Notes to the Accounts - 1. Accounting Policies (Continued)**

### **1.19 Accounting Standards that have been issued but have not yet been adopted**

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2014/15. The application of the Standards as revised would not have a material impact on the accounts for 2014/15, were they applied in that year:

IAS 27 Separate Financial Statements - subject to consultation

IAS 28 Investments in Associates and Joint Ventures - subject to consultation

IFRS 9 Financial Instruments - subject to consultation - subject to consultation

IFRS 10 Consolidated Financial Statements - subject to consultation

IFRS 11 Joint Arrangements - subject to consultation

IFRS 12 Disclosure of Interests in Other Entities - subject to consultation

IFRS 13 Fair Value Measurement - subject to consultation

IPSAS 32 - Service Concession Arrangement - subject to consultation

### **1.20 Segmental Reporting**

Under IFRS 8, the Trust is required to provide financial information on its identified operating segments. Income and expenditure of operating segments has been reported in a manner consistent with internal reporting used by the 'chief operating decision-maker' (identified as the Chief Executive Officer) to evaluate performance and allocate resources. Assets and liabilities are not reported by segment.

### **1.21 Prior Period Adjustment**

There were no prior period adjustments in 2014/15.

### Note 2.1 Operating Income (by classification)

The Trust provides clinical care from three large acute hospitals and two community hospitals in East Kent; services are also delivered in a community setting and in premises provided by other NHS bodies. Clinical Commissioning Groups and NHS England pay for inpatient, outpatient and community-based care for their resident population. This forms the majority of the Trust's clinical income. As a University Trust, income is also earned for the training of junior doctors and other staff. The Trust also receives income for services to other organisations, to private patients, visitors and staff, and from charitable donations.

The Group figures include income from a private hospital operated by East Kent Medical Services.

	Group 2014/15	Trust 2014/15	Group 2013/14	Trust 2013/14
<b>Income from Activities</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Elective income	99,788	97,440	100,467	97,776
Non elective income	132,912	132,912	131,031	131,031
Outpatient income	73,488	71,957	78,083	76,633
A&E income	20,180	20,180	19,866	19,866
Other NHS clinical income	160,107	160,107	149,821	149,810
Private patient income	3,071	601	3,270	661
Other non-protected clinical income	2,456	2,376	1,939	1,940
<b>Total income from activities</b>	<b>492,002</b>	<b>485,573</b>	<b>484,477</b>	<b>477,717</b>
<b>Other Operating Income</b>				
Total analysed in note 2.4	42,153	43,455	41,368	43,763
<b>TOTAL OPERATING INCOME</b>	<b>534,155</b>	<b>529,028</b>	<b>525,845</b>	<b>521,480</b>

### Note 2.2 Private Patient Income

The statutory limitation on private patient income in section 44 of the 2006 Act was repealed with effect from 1 October 2012 by the Health and Social Care Act 2012. Consequently the financial statements disclosures that were provided previously are no longer required.

<b>Note 2.3 Operating lease income</b>	Group 2014/15 £000	Trust 2014/15 £000	Group 2013/14 £000	Trust 2013/14 £000
<b>Rents recognised as income in the period</b>	<b>195</b>	<b>195</b>	<b>269</b>	<b>269</b>
<b>Future minimum lease payments due to the Trust on other leases expiring</b>				
- not later than one year	195	195	223	223
- later than one year and not later than five years	0	0	0	0
- later than five years	0	0	0	0
<b>TOTAL</b>	<b>195</b>	<b>195</b>	<b>223</b>	<b>223</b>

**Note 2.4 Operating Income (by type)**

	<b>Group 2014/15 £000</b>	<b>Trust 2014/15 £000</b>	<b>Group 2013/14 £000</b>	<b>Trust 2013/14 £000</b>
<b>Income from activities</b>				
NHS Foundation Trusts	646	646	342	342
NHS Trusts	1,807	1,807	2,516	2,516
Strategic Health Authorities	0	0	0	0
CCGs and NHS England	483,634	479,675	475,640	471,489
Primary Care Trusts	0	0	0	0
Local Authorities	0	0	118	118
NHS Other	477	477	630	630
Non-NHS: Private patients	3,070	600	3,270	661
Non NHS: Overseas patients (non-reciprocal)	205	205	74	74
NHS Injury scheme (was RTA)	1,693	1,693	1,760	1,760
Non NHS: Other	470	470	127	127
<b>Total income from activities</b>	<b>492,002</b>	<b>485,573</b>	<b>484,477</b>	<b>477,717</b>
<b>Other Operating Income</b>				
Research and development	2,460	2,460	1,768	1,768
Education and training	14,198	14,198	13,113	13,113
Receipt of donations for capital acquisitions from NHS charities	0	313	0	327
Charitable contributions to expenditure from NHS charities	0	327	0	461
Receipt of donations for capital acquisitions from other bodies	467	467	164	164
Other charitable contributions to expenditure from other bodies	316	316	297	297
Non-patient care services to other bodies	9,990	11,422	10,472	12,339
Profit on disposal of land and buildings	0	0	0	0
Reversal of impairments of property, plant and equipment	546	546	1,563	1,563
Income in respect of staff costs	6,457	6,457	7,365	7,365
Rental revenue from operating leases	195	195	269	269
NHS Charitable funds: Incoming resources excluding investment income	770	0	315	0
Other	6,754	6,754	6,042	6,097
<b>Total other operating income</b>	<b>42,153</b>	<b>43,455</b>	<b>41,368</b>	<b>43,763</b>
<b>TOTAL OPERATING INCOME</b>	<b>534,155</b>	<b>529,028</b>	<b>525,845</b>	<b>521,480</b>
<b>Analysis of Other Operating Income: Other</b>				
Car parking	3,294	3,294	2,662	2,662
Estates recharges	220	220	219	255
Staff accommodation rentals	2,159	2,159	2,026	2,026
Creche services	0	0	0	0
Property rentals	11	11	9	9
Other	1,070	1,070	1,126	1,145
<b>Total other operating income</b>	<b>6,754</b>	<b>6,754</b>	<b>6,042</b>	<b>6,097</b>

Note: Injury scheme income is subject to a 15.8% provision for impairment of receivables to reflect expected rates of collection which is consistent with 2013/14.

**2.5 Income from Commissioner Requested Services and all other services**

	<b>Group 2014/15 £000</b>	<b>Trust 2014/15 £000</b>	<b>Group 2013/14 £000</b>	<b>Trust 2013/14 £000</b>
Commissioner Requested Services	483,634	479,675	475,620	471,469
Non-Commissioner Requested Services	50,521	49,353	50,225	50,011
<b>Total</b>	<b>534,155</b>	<b>529,028</b>	<b>525,845</b>	<b>521,480</b>

The Trust is working with its commissioners to determine the level of Commissioner requested Services currently provided. Within the 2014-15 financial statements management has taken the view to define any service that is identified in a signed contract with any NHS commissioner as commissioner requested.

**2.6 Income relating to Patients Charged direct for Overseas Visitors (Trust Only)**

	<b>Trust 2014/15 £000</b>	<b>Trust 2013/14 £000</b>
Income recognised this year	205	74
Cash payments received in-year *	73	39
Amounts added to provision of impairment*	53	8
Amounts written off in-year*	4	17

\* Relates to invoices raised in current and prior years

**Note 3.1 Operating Expenses (by type)**

	Group 2014/15 £000	Trust 2014/15 £000	Group 2013/14 £000	Trust 2013/14 £000
Services from NHS Foundation Trusts	799	799	582	582
Services from NHS Trusts	455	455	450	450
Services from CCGs and NHS England	49	49	53	53
Services from Other nonNHS bodies	30	0	0	0
Purchase of healthcare from non NHS bodies	4,953	8,683	3,211	6,475
Employee Expenses - Executive Directors	1,168	1,168	1,015	1,015
Employee Expenses - Non Executive Directors	131	131	133	133
Employee Expenses - Staff	315,060	311,534	303,775	300,513
NHS Charitable funds - employee expenses	0	0	0	0
Drug costs - non inventory drugs	9,606	9,606	13,090	13,060
Drug inventories consumed	43,438	43,428	35,469	35,469
Supplies and services - clinical (excluding drug costs)	72,261	68,746	71,582	68,123
Supplies and services - general	18,151	17,735	17,736	17,507
Establishment**	3,604	3,577	3,462	3,433
Transport**	2,764	2,725	2,864	2,820
Premises	17,212	17,124	17,257	17,235
Increase/(decrease) in bad debt provision	861	1,025	953	933
Increase in other provisions	(153)	(153)	688	688
Change in discount rate	0	0	168	168
Inventories write down	1,670	1,670	388	388
Rentals under operating leases - minimum lease payments	1,357	1,352	1,682	1,682
Depreciation on property, plant and equipment	16,187	16,031	16,116	15,965
Amortisation on intangible assets	536	536	505	505
Impairments of property, plant and equipment	262	262	0	0
Audit fees				
audit services - statutory audit*	83	69	110	110
audit services - regulatory reporting	0	0	0	0
Other auditors remuneration	381	381	278	278
charitable fund accounts	3	0	7	0
Clinical negligence	10,455	10,455	9,751	9,751
Loss on disposal of intangible fixed assets	3	3	56	56
Loss on disposal of other property, plant and equipment	28	28	56	56
Legal fees	613	456	216	194
Consultancy costs	1,367	1,201	955	910
Training, courses and conferences	1,750	1,732	1,307	1,286
Patient travel	481	473	860	859
Car parking and security	318	305	349	345
Redundancy	89	89	0	0
Hospitality	131	108	137	119
Publishing	59	0	85	0
Insurance	531	449	427	355
Other services e.g. external payroll	3,530	3,530	3,508	3,508
Losses, exgratia and special payments	32	32	58	58
NHS Charitable funds: Other resources expended	60	0	59	0
Other	1,933	1,747	2,505	2,421
<b>Total Operating Expenses</b>	<b>532,248</b>	<b>527,541</b>	<b>511,903</b>	<b>507,503</b>

\*The auditor's liability is limited to £1m in respect of the statutory audit and £200k for work on the Trust's Quality Accounts.

\*\* Comparators have been restated to ensure consistent treatment between financial years.

	Group	Trust	Group	Trust
	2014/15 £000	2014/15 £000	2013/14 £000	2013/14 £000
<b>Note 3.2 Arrangements containing an operating lease</b>				
Minimum lease payments - Land	25	25	35	35
Minimum lease payments - Buildings	466	466	610	610
Minimum lease payments - Plant and Machinery	372	367	380	380
Minimum lease payments - Other	494	494	657	657
<b>TOTAL</b>	<b>1,357</b>	<b>1,352</b>	<b>1,682</b>	<b>1,682</b>

Cost or valuation at 31 March 2015

	Group 2014/15 £000	Trust 2014/15 0	Group 2013/14 £000	Trust 2013/14 £000
<b>Note 3.3 Arrangements containing an operating lease</b>				
<b>Future minimum lease payment due:</b>				
<b>On land leases expiring:</b>				
Not later than one year	5	0	9	9
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
<b>Total</b>	<b>5</b>	<b>0</b>	<b>9</b>	<b>9</b>
<b>On buildings leases expiring:</b>				
Not later than one year	117	117	0	0
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
<b>Total</b>	<b>117</b>	<b>117</b>	<b>0</b>	<b>0</b>
<b>On plant and machinery leases expiring:</b>				
Not later than one year	232	232	278	278
Later than one year and not later than five years	221	221	149	149
Later than five years	0	0	0	0
<b>Total</b>	<b>453</b>	<b>453</b>	<b>427</b>	<b>427</b>
<b>On other leases expiring:</b>				
Not later than one year	340	340	422	422
Later than one year and not later than five years	271	271	299	299
Later than five years	0	0	0	0
<b>Total</b>	<b>611</b>	<b>611</b>	<b>721</b>	<b>721</b>

	Group 2014/15 £000	Trust 2014/15 £000	Group 2013/14 £000	Trust 2013/14 £000
<b>Note 3.4 The Late Payment of Commercial Debts (Interest) Act 1998</b>				
Amounts included within other interest payable arising from claims made under this legislation	14	14	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0	0	0

**Note 3.5 Analysis of profit /(loss) on disposal of fixed assets**

No land or buildings used in the provision of Commissioner Requested Services were disposed of in 2014/15 or 2013/14.

	Group 2014/15 £000	Trust 2014/15 £000	Restated Group 2013/14 £000	Restated Trust 2013/14 £000
<b>Note 3.6 Auditor Remuneration (excluding Statutory Audit)</b>				
All other taxation advisory services	0	0	0	0
All other non-audit services	381	381	278	278
<b>Total</b>	<b>381</b>	<b>381</b>	<b>278</b>	<b>278</b>

**4. Segmental reporting**

Resources are organised across four clinical divisions comprising the specialties listed in the following table, and corporate services covering the functions listed below. Divisional Performance Reports and Service Line Reports form the basis of the 2014/15 results and the comparatives for 2013/14. Neither Healthex Limited nor the Charity meets the definition of an operating segment and are therefore excluded from the Segmental Report.

Content of Divisions	Urgent Care & Long-term conditions	Surgical Services	Specialist Services	Clinical Support	Corporate functions/ Overheads
	Acute and Specialist Medicine, A&E, Healthcare of Older People	General Surgery, Head and Neck, Trauma & Orthopaedics, Urology, Vascular, Anaesthetics	Cancer, Haemophilia, Clinical Haematology, Renal, Dermatology, Women's and Children's Health	Pathology, Pharmacy, Radiological Sciences, Therapies, Outpatients	Clinical Quality & Operations, Strategic Development and Capital Planning (including Facilities and IT), HR, Finance and Performance Management

Clinical Divisions are performance-managed at Contribution level (i.e. before apportionment of overheads and financing costs). Income for each NHS patient spell or attendance is credited to a division based on the primary treatment or procedure undertaken. Direct costs charged to each division reflect the cost of running the areas and services under their direct control.

The direct cost of providing clinical support between clinical divisions is charged out on a fully apportioned basis, and internal trading income is reflected in the above segment results. General and corporate overhead costs are managed centrally.

Amounts included for Corporate functions and overheads do not meet the definition of an operating segment under IFRS and are presented as reconciling items. Financing costs includes interest receivable, dividend payable and unwinding of discounts. Overheads comprises depreciation, impairments, and loss on disposal of assets.

**Year ended 31 March 2015**

Division:	Urgent Care & Long-term Conditions £000	Surgical Services £000	Specialist Services £000	Clinical Support £000	Corporate functions/ Overheads £000	Total Trust £000
East Kent Managed Contract	130,727	133,963	72,217	28,217	0	365,124
High Cost Drugs	5,841	5,800	19,821	124	0	31,586
Other Income - divisional budgets	22,116	19,821	46,587	16,021	24,005	128,550
Other income - apportioned from SLR report (E&T, R&D, charity)	5,726	6,815	4,686	837	-14,842	3,222
<b>Cost or valuation at 31 March 2015</b>	<b>164,410</b>	<b>166,399</b>	<b>143,311</b>	<b>45,199</b>	<b>9,163</b>	<b>528,482</b>
Income from internal trading	0	8,577	0	51,344	0	59,921
<b>Accumulated depreciation at 1 April 2014</b>	<b>164,410</b>	<b>174,976</b>	<b>143,311</b>	<b>96,543</b>	<b>9,163</b>	<b>588,403</b>
Pay costs	82,184	86,592	60,057	54,293	29,707	312,833
Non-pay expenditure	24,594	44,493	38,441	33,168	57,151	197,847
<b>Total direct costs</b>	<b>106,778</b>	<b>131,085</b>	<b>98,498</b>	<b>87,461</b>	<b>86,858</b>	<b>510,680</b>
Indirect costs (internal trading)	24,210	17,079	18,632	0	0	59,921
<b>Expenditure by segment</b>	<b>130,988</b>	<b>148,164</b>	<b>117,130</b>	<b>87,461</b>	<b>86,858</b>	<b>570,601</b>
<b>Contribution</b>	<b>33,422</b>	<b>26,812</b>	<b>26,181</b>	<b>9,082</b>	<b>-77,695</b>	<b>17,802</b>
Overheads					16,315	16,315
Financing costs					9,494	9,494
					-103,504	
<b>Surplus/(deficit)</b>						<b>-8,007</b>

**Year ended 31 March 2014**

Division:	Urgent Care & Long-term Conditions £000	Surgical Services £000	Specialist Services £000	Clinical Support £000	Corporate functions/ Overheads £000	Total Trust £000
Clinical income	153,788	155,143	131,276	37,349		477,556
Other income	6,250	8,037	6,705	6,870	14,499	42,361
<b>Total Trust income</b>	<b>160,038</b>	<b>163,180</b>	<b>137,981</b>	<b>44,219</b>	<b>14,499</b>	<b>519,917</b>
Income from internal trading	0	8,342	0	51,727	0	60,069
<b>Total segment income</b>	<b>160,038</b>	<b>171,522</b>	<b>137,981</b>	<b>95,946</b>	<b>14,499</b>	<b>579,986</b>
Pay costs	77,337	84,711	58,546	52,878	28,189	301,661
Non-pay expenditure	23,749	42,763	34,224	30,109	58,414	189,259
<b>Total direct costs</b>	<b>101,086</b>	<b>127,474</b>	<b>92,770</b>	<b>82,987</b>	<b>86,603</b>	<b>490,920</b>
Indirect costs (internal trading)	23,094	18,055	18,920	0	0	60,069
<b>Expenditure by segment</b>	<b>124,180</b>	<b>145,529</b>	<b>111,690</b>	<b>82,987</b>	<b>86,603</b>	<b>550,989</b>
<b>Contribution</b>	<b>35,858</b>	<b>25,993</b>	<b>26,291</b>	<b>12,959</b>	<b>-72,104</b>	<b>28,997</b>
Overheads					15,020	15,020
Financing costs					8,105	8,105
					-95,229	
<b>Surplus/(deficit)</b>						<b>5,872</b>



Note 5.1 Employee Expenses	Group 2014/15			Trust 2014/15			Group 2013/14			Trust 2013/14		
	Total	Permanently Employed	Other	Total	Permanently Employed	Other	Total	Permanently Employed	Other	Total	Permanently Employed	Other
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Salaries and wages	239,583	238,989	594	237,302	237,302	0	235,509	235,509	0	233,356	233,356	0
Social security Costs	18,822	18,822	0	18,616	18,616	0	18,612	18,612	0	18,415	18,415	0
Pension costs - defined contribution plans:												
Employer contributions to NHS Pensions	28,055	28,055	0	28,023	28,023	0	28,350	28,350	0	28,350	28,350	0
Pension costs - other contributions	12	0	12	12	0	12	33	33	0	9	9	0
Other employment benefits	26	26	0	0	0	0	23	23	0	0	0	0
Termination benefits	0	0	0	0	0	0	31	31	0	0	0	0
Agency/contract staff	30,056	0	30,056	29,074	0	29,074	22,557	0	22,557	21,723	0	21,723
Charitable funds staff	0	0		0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>316,554</b>	<b>285,892</b>	<b>30,662</b>	<b>313,027</b>	<b>283,941</b>	<b>29,086</b>	<b>305,115</b>	<b>282,558</b>	<b>22,557</b>	<b>301,853</b>	<b>280,130</b>	<b>21,723</b>
<b>Costs capitalised as part of assets</b>	<b>326</b>	<b>326</b>	<b>0</b>	<b>325</b>	<b>325</b>	<b>0</b>	<b>325</b>	<b>325</b>	<b>0</b>	<b>325</b>	<b>325</b>	<b>0</b>
Note 5.2 Average number of employees (wte basis)												
	Group 2014/15			Trust 2014/15			Group 2013/14			Trust 2013/14		
	Total	Permanent	Other	Total	Permanent	Other	Total	Permanent	Other	Total	Permanent	Other
	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number
Medical and dental	925	925	0	925	925	0	928	928	0	928	928	0
Administration and estates	1,450	1,450	0	1,407	1,407	0	1,440	1,440	0	1,409	1,409	0
Healthcare assistants and other support staff	994	994	0	987	987	0	1,013	1,013	0	997	997	0
Nursing, midwifery and health visiting staff	2,098	2,098	0	2,064	2,064	0	2,075	2,075	0	2,048	2,048	0
Nursing, midwifery and health visiting	8	8	0	8	8	0	9	9	0	9	9	0
Scientific, therapeutic and technical staff	1,312	1,312	0	1,312	1,312	0	1,303	1,303	0	1,303	1,303	0
Agency and contract staff	227	0	227	207	0	207	169	0	169	169	0	169
Bank staff	282	0	282	282	0	282	194	0	194	194	0	194
<b>Total</b>	<b>7,296</b>	<b>6,787</b>	<b>509</b>	<b>7,192</b>	<b>6,703</b>	<b>489</b>	<b>7,131</b>	<b>6,768</b>	<b>363</b>	<b>7,057</b>	<b>6,694</b>	<b>363</b>
<b>Number of staff employed on capital projects</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>6</b>	<b>6</b>	<b>0</b>

**Note 5.3 Employee benefits**

There were no employee benefits paid by the Trust in 2014/15 (nil 2013/14).

**Note 5.4 Exit Packages**

The Trust agreed one voluntary redundancy in 2014/15 (£88k) and the subsidiary reached a compromise agreement with one member of staff (£3k). There were no agreements in 2013/14.

**Note 5.5 Retirements due to ill-health**

During 2014/15 there were 14 (2013/14, 16) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £860k (2013/14, £1,361k). This information has been supplied by NHS Pensions. The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

**Note 5.6 Executive directors costs (all permanent)**

Executive directors costs are detailed in the Annual Report.

**Note 5.7 Directors benefits and other disclosures**

Directors remuneration and pension benefits are summarised in the Annual Report. There were nil gains made by the non-executive and executive directors in post during 2014/15 on the exercise of share options (2013/14, nil), nil long term incentive scheme payments (2013/14, nil), nil contributions to non-NHS pension schemes (2013/14, nil) and nil added contribution to the NHS pension scheme (2013/14, nil), nil advances or credits to directors (2013/14, nil), and nil guarantees by the Trust on behalf of a director (2013/14, nil).

Total remuneration paid to directors for the year ended 31/03/2015 (in their capacity as directors) totalled £1,299k (2013/14 £1,060k). No other remuneration was paid to Directors in their capacity as directors. There were nil advances or guarantees entered into on behalf of directors by the Trust. Employer contributions to the NHS Pension Scheme for Executive Directors for the year ended 31/03/2015 totalled £106k (2013/14 £89k). The total number of directors to whom benefits are accruing under the NHS defined benefit scheme (the NHS Pension Scheme) was 8 (2013/14 6).

## 5.8 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.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP 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.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

### a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2015, is based on valuation data as 31 March 2014, updated to 31 March 2015 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

### b) 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.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next formal valuation to be used for funding purposes will be carried out at as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

### c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

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. From 2011-12 the Consumer Price Index (CPI) has been used and replaced the Retail Prices Index (RPI).

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 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 employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

<b>Note 6. Finance income</b>	<b>Group 2014/15 £000</b>	<b>Trust 2014/15 £000</b>	<b>Group 2013/14 £000</b>	<b>Trust 2013/14 £000</b>
Interest on loans and receivables	0	73	0	78
Interest on bank accounts	127	127	181	180
NHS Charitable funds: investment income	119	0	126	0
<b>Total</b>	<b>246</b>	<b>200</b>	<b>307</b>	<b>258</b>

<b>Note 7.1 Finance Costs - Interest Expense</b>	<b>Group 2014/15 £000</b>	<b>Trust 2014/15 £000</b>	<b>Group 2013/14 £000</b>	<b>Trust 2013/14 £000</b>
Finance leases	4	0	4	0
<b>Total</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>

**Note 7.2 Impairment of assets (property, plant and equipment, and intangibles) taken to Statement of Comprehensive Income**

	<b>Group 2014/15 £000</b>	<b>Trust 2014/15 £000</b>	<b>Group 2013/14 £000</b>	<b>Trust 2013/14 £000</b>
Changes in market price	0	0	0	0
Reversal of impairments	(546)	(546)	(1,563)	(1,563)
<b>Total</b>	<b>(546)</b>	<b>(546)</b>	<b>(1,563)</b>	<b>(1,563)</b>

**Note 8 Intangible assets**

<b>2014/15</b>	<b>Computer software - purchased</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Gross cost at 1 April 2014	2,637	513	<b>3,150</b>
Additions purchased	457	811	<b>1,268</b>
Reclassifications	176	(176)	<b>0</b>
Disposals	(112)	0	<b>(112)</b>
<b>Gross cost at 31 March 2015</b>	<b>3,158</b>	<b>1,148</b>	<b>4,306</b>
Amortisation at 1 April 2014	1,119	0	<b>1,119</b>
Charged during the year	536		<b>536</b>
Disposals	(109)	0	<b>(109)</b>
<b>Amortisation at 31 March 2015</b>	<b>1,546</b>	<b>0</b>	<b>1,546</b>
<b>Net book value</b>			
Purchased at 1 April 2014	1,518	513	<b>2,031</b>
Donated at 1 April 2014	0	0	<b>0</b>
<b>Total at 1 April 2014</b>	<b>1,518</b>	<b>513</b>	<b>2,031</b>
<b>Net book value</b>			
Purchased at 31 March 2015	1,612	1,148	<b>2,760</b>
Donated at 31 March 2015	0	0	<b>0</b>
<b>Total at 31 March 2015</b>	<b>1,612</b>	<b>1,148</b>	<b>2,760</b>

<b>2013/14</b>	<b>Computer software - purchased</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Gross cost at 1 April 2013	2,348	430	<b>2,778</b>
Additions purchased	35	396	<b>431</b>
Reclassifications	313	(313)	<b>0</b>
Disposal	(59)		<b>(59)</b>
<b>Gross cost at 31 March 2014</b>	<b>2,637</b>	<b>513</b>	<b>3,150</b>
Amortisation at 1 April 2013	614	0	<b>614</b>
Charged during the year	505	0	<b>505</b>
<b>Amortisation at 31 March 2014</b>	<b>1,119</b>	<b>0</b>	<b>1,119</b>
<b>Net book value</b>			
Purchased at 1 April 2013	1,734	430	<b>2,164</b>
Donated at 1 April 2013	0	0	<b>0</b>
<b>Total at 1 April 2013</b>	<b>1,734</b>	<b>430</b>	<b>2,164</b>
<b>Net book value</b>			
Purchased at 31 March 2014	1,518	513	<b>2,031</b>
Donated at 31 March 2014	0	0	<b>0</b>
<b>Total at 31 March 2014</b>	<b>1,518</b>	<b>513</b>	<b>2,031</b>

The above figures all relate to the Trust, the subsidiary has no intangible assets.

**Note 9 Property, plant and equipment 2014/15**
**9.1 Group tangible fixed assets as at 31 March 2015 comprise the following elements: -**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2014</b>	33,551	192,089	16,582	24,280	68,728	19	13,774	745	349,768
Additions purchased	0	4,196	0	19,496	2,898	0	2,142	0	28,732
Additions donated	0	0	0	0	780	0	0	0	780
Impairments charged to revaluation reserve	(6)	(1,771)	0	0	0	0	0	0	(1,777)
Reversal of impairments credited to operating income	0	0	0	0	0	0	0	0	0
Reversal of impairments credited to the revaluation reserve	3,938	3,130	264	0	0	0	0	0	7,332
Reclassifications	0	12,312	0	(13,849)	409	0	1,128	0	0
Reclassified as held for sale and sold in year	0	0	0	0	0	0	0	0	0
Revaluations	382	(2,924)	618	0	0	0	0	0	(1,924)
Transferred to disposal group as asset held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(1,345)	0	(5,087)	(55)	(6,487)
<b>Cost or valuation at 31 March 2015</b>	<b>37,865</b>	<b>207,032</b>	<b>17,464</b>	<b>29,927</b>	<b>71,470</b>	<b>19</b>	<b>11,957</b>	<b>690</b>	<b>376,424</b>
<b>Accumulated depreciation at 1 April 2014</b>	0	0	0	0	45,903	19	9,155	576	55,653
Provided during the year	0	8,002	471	0	5,776	0	1,870	68	16,187
Impairments	161	101	0	0	0	0	0	0	262
Reversal of impairments credited to operating income	(35)	(510)	(1)	0	0	0	0	0	(546)
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	(126)	(7,497)	(470)	0	0	0	0	0	(8,093)
Disposals	0	0	0	0	(1,319)	0	(5,087)	(53)	(6,459)
<b>NBV Total at 31 March 2015</b>	<b>0</b>	<b>96</b>	<b>0</b>	<b>0</b>	<b>50,360</b>	<b>19</b>	<b>5,938</b>	<b>591</b>	<b>57,004</b>
<b>Net book value</b>									
NBV - Owned at 1 April 2014	33,551	184,489	16,582	24,280	21,597	0	4,426	169	285,094
NBV Finance leased at 1 April 2014	0	0	0	0	65	0	0	0	65
NBV - Donated at 1 April 2014	0	7,600	0	0	1,163	0	193	0	8,956
<b>NBV total at 1 April 2014</b>	<b>33,551</b>	<b>192,089</b>	<b>16,582</b>	<b>24,280</b>	<b>22,825</b>	<b>0</b>	<b>4,619</b>	<b>169</b>	<b>294,115</b>
<b>Net book value</b>									
NBV - Owned at 31 March 2015	37,865	199,114	17,464	29,927	19,576	0	5,868	99	309,913
NBV Finance leased at 31 March 2015	0	0	0	0	0	0	0	0	0
NBV - Donated at 31 March 2015	0	7,822	0	0	1,534	0	151	0	9,507
<b>NBV total at 31 March 2015</b>	<b>37,865</b>	<b>206,936</b>	<b>17,464</b>	<b>29,927</b>	<b>21,110</b>	<b>0</b>	<b>6,019</b>	<b>99</b>	<b>319,420</b>

A full revaluation of the entire estate was carried out as at 31 March 2015.

Of the above £1,850k relates to land and buildings held at open market value.

Within the Plant and Machinery cost or valuation at 31/03/15, the Trust has £31m of assets that are fully depreciated (31/03/14 £51m).

All of the above assets are owned by the Trust, there are no finance leases or PFIs in operation.

**Note 9.2 NBV of Group property, plant and equipment in the Revaluation Reserve as at 31 March 2015**

As at 1 April 2014	13,375	59,606	2,764	0	1,520	0	0	41	77,306
movement in year	4,439	5,932	1,354	0	(40)	0	0	(5)	11,680
<b>As at 31 March 2015</b>	<b>17,814</b>	<b>65,538</b>	<b>4,118</b>	<b>0</b>	<b>1,480</b>	<b>0</b>	<b>0</b>	<b>36</b>	<b>88,985</b>

**9.3 Trust tangible fixed assets as at 31 March 2015 comprise the following elements: -**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2014</b>	33,551	189,250	16,582	24,280	68,503	19	13,774	745	346,704
Additions purchased	0	4,196	0	19,496	2,812	0	2,142	0	28,646
Additions donated	0	0	0	0	780	0	0	0	780
Impairments charged to revaluation reserve	(6)	(1,771)	0	0	0	0	0	0	(1,777)
Reversal of impairments credited to operating income	0	0	0	0	0	0	0	0	0
Reversal of impairments credited to the revaluation reserve	3,938	3,130	264	0	0	0	0	0	7,332
Reclassifications	0	12,312	0	(13,849)	409	0	1,128	0	0
Reclassified as held for sale and sold in year		0			0		0		0
Revaluations	382	(2,926)	618	0	0	0	0	0	(1,926)
Transferred to disposal group as asset held for sale					0				0
Disposals	0	0	0	0	(1,345)	0	(5,087)	(55)	(6,487)
<b>Cost or valuation at 31 March 2015</b>	<b>37,865</b>	<b>204,191</b>	<b>17,464</b>	<b>29,927</b>	<b>71,159</b>	<b>19</b>	<b>11,957</b>	<b>690</b>	<b>373,272</b>
<b>Accumulated depreciation at 1 April 2014</b>	0	0	0	0	45,807	19	9,155	576	55,557
Provided during the year	0	7,906	470	0	5,717	0	1,871	67	16,031
Impairments	161	101	0	0	0	0	0	0	262
Reversal of impairments credited to operating income	(35)	(510)	(1)	0	0	0	0	0	(546)
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassified as held for sale and sold in year	0								0
Accumulated depreciation at 31 March 2015	0	0	0	0	0	0	0	0	0
Revaluations	(126)	(7,497)	(469)						(8,092)
Transferred to disposal group as asset held for sale									0
Disposals	0	0	0	0	(1,319)	0	(5,087)	(53)	(6,459)
<b>Accumulated depreciation at 31 March 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50,205</b>	<b>19</b>	<b>5,939</b>	<b>589</b>	<b>56,752</b>
<b>Net book value</b>									
NBV - Owned at 1 April 2014	33,551	181,650	16,582	24,280	21,533	0	4,426	169	282,191
NBV - Donated at 1 April 2014	0	7,600	0	0	1,163	0	193	0	8,956
<b>NBV total at 1 April 2014</b>	<b>33,551</b>	<b>189,250</b>	<b>16,582</b>	<b>24,280</b>	<b>22,696</b>	<b>0</b>	<b>4,619</b>	<b>169</b>	<b>291,147</b>
<b>Net book value</b>									
NBV - Owned at 31 March 2015	37,865	196,369	17,465	29,927	19,423	0	5,866	100	307,015
NBV Finance leased at 31 March 2015	0	0	0	0	0	0	0	0	0
NBV - Donated at 31 March 2015	0	7,822	0	0	1,533	0	152	0	9,507
<b>NBV total at 31 March 2015</b>	<b>37,865</b>	<b>204,191</b>	<b>17,465</b>	<b>29,927</b>	<b>20,956</b>	<b>0</b>	<b>6,018</b>	<b>100</b>	<b>316,522</b>

A full revaluation of the entire estate was carried out as at 31 March 2015.

Of the above £1,850k relates to land and buildings held at open market value.

Within the Plant and Machinery cost or valuation at 31/03/15, the Trust has £31m of assets that are fully depreciated (31/03/14 £51m).

All of the above assets are owned by the Trust, there are no finance leases or PFIs in operation.

**Note 9.4 NBV of Trust property, plant and equipment in the Revaluation Reserve as at 31 March 2015**

As at 1 April 2014	13,375	59,367	2,764	0	1,520	0	0	41	77,067
movement in year	4,439	5,932	1,354		(40)			(5)	11,680
<b>As at 31 March 2015</b>	<b>17,814</b>	<b>65,299</b>	<b>4,118</b>	<b>0</b>	<b>1,480</b>	<b>0</b>	<b>0</b>	<b>36</b>	<b>88,747</b>

**9.5 Group tangible fixed assets as at 31 March 2014 comprise the following elements: -**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2013</b>	31,986	174,474	15,365	12,997	67,839	19	12,930	896	316,506
Additions purchased	0	6,182	(18)	18,711	4,275	0	897	0	30,047
Additions donated	0	0	0	0	286	0	205	0	491
Impairments charged to revaluation reserve	0	(379)	0	0	0	0	0	0	(379)
Reversal of impairments	0	8,208	391	0	0	0	0	0	8,599
Reclassifications	0	6,617	281	(7,428)	137	0	393	0	0
Revaluations	1,565	(3,013)	563	0	0	0	0	0	(885)
Disposals	0	0	0	0	(3,809)	0	(651)	(151)	(4,611)
<b>Cost or valuation at 31 March 2014</b>	<b>33,551</b>	<b>192,089</b>	<b>16,582</b>	<b>24,280</b>	<b>68,728</b>	<b>19</b>	<b>13,774</b>	<b>745</b>	<b>349,768</b>
<b>Accumulated depreciation at 1 April 2013</b>	0	29	0	0	43,488	19	7,733	649	51,918
Provided during the year	0	7,359	437	0	6,169	0	2,073	78	16,116
Impairments	0	0	0	0	0	0	0	0	0
Reversal of impairments	(42)	(1,512)	(9)	0	0	0	0	0	(1,563)
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	42	(5,876)	(428)	0	0	0	0	0	(6,262)
Disposals	0	0	0	0	(3,754)	0	(651)	(151)	(4,556)
<b>Accumulated depreciation at 31 March 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45,903</b>	<b>19</b>	<b>9,155</b>	<b>576</b>	<b>55,653</b>
<b>Net book value</b>									
NBV - Owned at 1 April 2013	31,986	167,194	15,365	12,997	22,895	0	5,192	247	255,876
NBV Finance leased at 1 April 2013					96				96
NBV - Donated at 1 April 2013	0	7,251	0	0	1,360	0	5	0	8,616
<b>NBV total at 1 April 2013</b>	<b>31,986</b>	<b>174,445</b>	<b>15,365</b>	<b>12,997</b>	<b>24,351</b>	<b>0</b>	<b>5,197</b>	<b>247</b>	<b>264,588</b>
<b>Net book value</b>									
NBV - Owned at 31 March 2014	33,551	184,489	16,582	24,280	21,597	0	4,426	169	285,094
NBV Finance leased at 31 March 2014	0	0	0	0	65	0	0	0	65
NBV - Donated at 31 March 2014	0	7,600	0	0	1,163	0	193	0	8,956
<b>NBV total at 31 March 2014</b>	<b>33,551</b>	<b>192,089</b>	<b>16,582</b>	<b>24,280</b>	<b>22,825</b>	<b>0</b>	<b>4,619</b>	<b>169</b>	<b>294,115</b>

**Note 9.6 NBV of Group property, plant and equipment in the Revaluation Reserve as at 31 March 2014**

As at 1 April 2013	11,854	48,913	1,381	0	1,723	0	0	52	63,923
movement in year	1,521	10,693	1,383	0	(203)	0	0	(11)	13,383
<b>As at 31 March 2014</b>	<b>13,375</b>	<b>59,606</b>	<b>2,764</b>	<b>0</b>	<b>1,520</b>	<b>0</b>	<b>0</b>	<b>41</b>	<b>77,306</b>



**9.7 Trust tangible fixed assets as at 31 March 2014 comprise the following elements: -**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2013</b>	31,986	171,757	15,365	12,997	67,623	19	12,930	896	313,573
Additions purchased	0	6,182	(18)	18,711	4,266	0	897	0	30,038
Additions donated	0	0	0	0	286	0	205	0	491
Impairments charged to revaluation reserve	0	(379)	0	0	0	0	0	0	(379)
Reversal of impairments	0	8,208	391	0	0	0	0	0	8,599
Reclassifications	0	6,617	281	(7,428)	137	0	393	0	0
Revaluations	1,565	(3,135)	563	0	0	0	0	0	(1,007)
Disposals	0	0	0	0	(3,809)	0	(651)	(151)	(4,611)
<b>Cost or valuation at 31 March 2014</b>	<b>33,551</b>	<b>189,250</b>	<b>16,582</b>	<b>24,280</b>	<b>68,503</b>	<b>19</b>	<b>13,774</b>	<b>745</b>	<b>346,704</b>
<b>Accumulated depreciation at 1 April 2013</b>	0	0	0	0	43,455	19	7,733	649	51,856
Provided during the year	0	7,271	437	0	6,106	0	2,073	78	15,965
Impairments recognised in operating expenses	0	0	0	0	0	0	0	0	0
Reversal of impairments	(42)	(1,512)	(9)	0	0	0	0	0	(1,563)
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	42	(5,759)	(428)	0	0	0	0	0	(6,145)
Disposals	0	0	0	0	(3,754)	0	(651)	(151)	(4,556)
<b>Accumulated depreciation at 31 March 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45,807</b>	<b>19</b>	<b>9,155</b>	<b>576</b>	<b>55,557</b>
<b>Net book value</b>									
NBV - Owned at 1 April 2013	31,986	164,506	15,365	12,997	22,808	0	5,192	247	253,101
NBV Finance leased at 1 April 2013	0	7,251	0	0	1,360	0	5	0	8,616
<b>NBV - total at 1 April 2013</b>	<b>31,986</b>	<b>171,757</b>	<b>15,365</b>	<b>12,997</b>	<b>24,168</b>	<b>0</b>	<b>5,197</b>	<b>247</b>	<b>261,717</b>
<b>Net book value</b>									
NBV - Owned at 31 March 2014	33,551	181,650	16,582	24,280	21,533	0	4,426	169	282,191
NBV - Owned at 31 March 2014	0	7,600	0	0	1,163	0	193	0	8,956
<b>NBV Finance leased at 31 March 2014</b>	<b>33,551</b>	<b>189,250</b>	<b>16,582</b>	<b>24,280</b>	<b>22,696</b>	<b>0</b>	<b>4,619</b>	<b>169</b>	<b>291,147</b>
<b>NBV - Donated at 31 March 2014</b>									

A desktop revaluation of the entire estate was carried out as at 31 March 2013. Advice from Boshier and Company, an independent firm of RICS qualified valuers, was that if indexation were not applied as at 31 March 2014 values would be materially understated. The Trust therefore applied the Building Cost Information Services (BCIS) indices to buildings as at the 31st March 2014, this resulted in a 9.17% uplift. Due to the lack of suitable indices for land the opinion of the valuer was sought, who advised there had been a 5% uplift which has been applied.

All of the above assets are owned by the Trust, there are no finance leases or PFIs in operation.

Of the above £1,850k relates to land and buildings held at open market value.

Within the Plant and Machinery cost or valuation at 31/03/14, the Trust has £51m of assets that are fully depreciated (31/03/13 £43m).

All of the above assets are owned by the Trust, there are no finance leases or PFIs in operation.

**Note 9.8 NBV of Trust property, plant and equipment in the Revaluation Reserve as at 31 March 2014**

As at 1 April 2013	11,854	48,913	1,381	0	1,723	0	0	52	63,923
movement in year	1,521	10,454	1,383	0	(203)	0	0	(11)	13,144
<b>As at 31 March 2014</b>	<b>13,375</b>	<b>59,367</b>	<b>2,764</b>	<b>0</b>	<b>1,520</b>	<b>0</b>	<b>0</b>	<b>41</b>	<b>77,067</b>

**Note 10.1 Investments**

	NHS Charitable funds Investment property £000	Group NHS Charitable funds Other investments £000	Total £000	Trust Investment in Subsidiary £000
<b>Carrying value at 1 April 2014</b>	<b>787</b>	<b>2,923</b>	<b>3,710</b>	<b>48</b>
Acquisitions in year	0	0	0	0
Movement in fair value (revaluation or impairment)	13	207	220	0
Movement in fair value of available-for-sale financial assets recognised in Other Comprehensive Income	0	0	0	0
Disposals	0	(56)	(56)	0
<b>Carrying value at 31 March 2015</b>	<b>800</b>	<b>3,074</b>	<b>3,874</b>	<b>48</b>

	NHS Charitable funds Investment property £000	Group NHS Charitable funds Other investments £000	Total £000	Trust Investment in Subsidiary £000
Carrying value at 1 April 2013	693	2,940	3,633	48
Acquisitions in year	0	2,869	2,869	0
Movement in fair value (revaluation or impairment)	94	0	94	0
Movement in fair value of available-for-sale financial assets recognised in Other Comprehensive Income	0	80	80	0
Disposals	0	(2,966)	(2,966)	0
<b>Carrying value at 31 March 2014</b>	<b>787</b>	<b>2,923</b>	<b>3,710</b>	<b>48</b>

**Note 10.2 Investment Property Expenses**

	Group 2014/15 £000	Trust 2014/15 £000	Group 2013/14 £000	Trust 2013/14 £000
Direct operating expenses arising from Investment Property which generated rental income in the period	13	0	11	0
Direct operating expenses arising from Investment Property which did not generate rental income in the period	0	0	0	0
<b>Total</b>	<b>13</b>	<b>0</b>	<b>11</b>	<b>0</b>

**Note 10.3 Investment Property Income**

	Group 2014/15 £000	Trust 2014/15 £000	Restated Group 2013/14 £000	Trust 2013/14 £000
Investment Property income	25	0	25	0

**Note 11 Finance Lease Obligations**

	Group 31 March 2015 £000	Trust 31 March 2015 £000	Group 31 March 2014 £000	Trust 31 March 2014 £000
Liabilities are due not later than one year	29	0	30	0
Liabilities are due later than one year and not later than five years	39	0	35	0
<b>Total</b>	<b>68</b>	<b>0</b>	<b>65</b>	<b>0</b>

**Note 12 Non-current assets held for sale and assets in disposal groups 2014/15**

There were no non-current assets held for sale at 31st March 2015 (nil at 31st March 2014).

**Note 13.1 Inventories**

	Group 2014/15 £000	Trust 2014/15 £000	Group 2013/14 £000	Trust 2013/14 £000
Drugs	4,744	4,744	3,875	3,875
Energy	478	478	387	387
Other	3,811	3,811	3,433	3,433
<b>Total Inventories</b>	<b>9,033</b>	<b>9,033</b>	<b>7,695</b>	<b>7,695</b>

**Note 13.2 Inventories recognised in expenses**

	Group 2014/15 £000	Trust 2014/15 £000	Group 2013/14 £000	Trust 2013/14 £000
Inventories recognised in expenses	53,173	53,173	43,449	43,449
Write down of inventories recognised as an expense	1,670	1,670	388	388
<b>Total Inventories recognised in expenses</b>	<b>54,843</b>	<b>54,843</b>	<b>43,837</b>	<b>43,837</b>

**Note 14.1 Trade receivables and other receivables**

	Group 31 March 2015 Total £000	Trust 31 March 2015 Total £000	Restated Group 31 March 2014 Total £000	Trust 31 March 2014 Total £000
<b>Current</b>				
NHS receivables - revenue	17,933	17,794	30,204	29,706
Receivables due from NHS charities - revenue	0	51	0	48
Receivables due from NHS charities - capital	0	0	0	12
Other receivables with related parties - revenue	0	0	0	1,909
Provision for the impaired receivables	(2,872)	(2,717)	(2,051)	(1,732)
Prepayments	2,636	2,542	1,641	1,570
Accrued income	2,801	2,544	2,715	2,715
Interest receivable	0	0	8	124
PDC receivable	154	154	109	109
VAT receivable	1,373	1,373	1,711	1,711
Other receivables	5,595	5,478	4,922	4,408
NHS Charitable funds: Trade and other receivables	262	0	26	0
<b>Total current trade and other receivables</b>	<b>27,882</b>	<b>27,219</b>	<b>39,285</b>	<b>40,580</b>
<b>Non-Current</b>				
NHS receivables - Revenue	0	0	0	0
Other receivables with related parties - revenue	0	1,456	0	1,542
Provision for the impaired receivables	(433)	(433)	(421)	(421)
Prepayments	243	243	167	164
Other receivables	2,794	2,795	2,599	2,599
NHS Charitable funds: Trade and other receivables	13	0	12	0
<b>Total non-current trade and other receivables</b>	<b>2,617</b>	<b>4,061</b>	<b>2,357</b>	<b>3,884</b>

#### Note 14.2 Provision for impairment of receivables

The Trust employs external debt collection agencies and formal court procedures if required to trace debtors and seek to recover overdue debt. Irrecoverable debts are written off on a quarterly basis. Debts outstanding at 31 March are reviewed to determine the appropriate provision to be included in the accounts.

	Group 31 March 2015 £000	Trust 31 March 2015 £000	Group 31 March 2014 £000	Trust 31 March 2014 £000
<b>At start of period</b>	<b>2,472</b>	<b>2,153</b>	<b>1,715</b>	<b>1,364</b>
Provision held by subsidiary at acquisition	0	0	0	0
Increase in provision	1,105	1,269	1,031	1,011
Amounts utilised	(28)	(28)	(196)	(144)
Unused amounts reversed	(244)	(244)	(78)	(78)
<b>At end of period</b>	<b>3,305</b>	<b>3,150</b>	<b>2,472</b>	<b>2,153</b>

#### Note 14.3 Analysis of impaired receivables

	Trade Receivables				Other Receivables			
	Group 31 March 2015 £000	Trust 31 March 2015 £000	Group 31 March 2014 £000	Trust 31 March 2014 £000	Group 31 March 2015 £000	Trust 31 March 2015 £000	Group 31 March 2014 £000	Trust 31 March 2014 £000
<b>Ageing of impaired receivables</b>								
0 - 30 days	547	547	110	105	14	14	1	1
30-60 Days	21	21	76	32	0	0	6	6
60-90 days	15	15	238	238	6	6	13	13
90- 180 days	245	245	154	102	67	67	69	69
over 180 days	1,570	1,415	833	615	820	820	972	972
<b>Total</b>	<b>2,398</b>	<b>2,243</b>	<b>1,411</b>	<b>1,092</b>	<b>907</b>	<b>907</b>	<b>1,061</b>	<b>1,061</b>

	Trade Receivables				Other Receivables			
	Group 31 March 2015 £000	Trust 31 March 2015 £000	Group 31 March 2014 £000	Trust 31 March 2014 £000	Group 31 March 2015 £000	Trust 31 March 2015 £000	Group 31 March 2014 £000	Trust 31 March 2014 £000
<b>Ageing of non-impaired receivables past their due date</b>								
0 - 30 days	(1,217)	(2,240)	787	241	349	349	431	428
30-60 Days	1,250	1,118	2,356	2,401	121	121	163	163
60-90 days	389	320	3,666	3,704	46	46	78	75
90- 180 days	304	365	3,234	3,787	168	168	260	256
over 180 days	1,736	1,328	264	873	243	243	215	210
<b>Total</b>	<b>2,462</b>	<b>891</b>	<b>10,307</b>	<b>11,006</b>	<b>927</b>	<b>927</b>	<b>1,147</b>	<b>1,132</b>

#### Note 14.4 Finance lease receivables

The Trust and the subsidiary have no finance lease receivables.

**Note 15.1 Trade and other payables**

	Group 31 March 2015 Total £000	Trust 31 March 2015 Total £000	Group 31 March 2014 Total £000	Trust 31 March 2014 Total £000
<b>Current</b>				
NHS payables	7,841	7,841	5,174	5,173
Amounts due to other related parties - revenue	0	0	0	1,738
Trade payables - capital	1,861	1,861	7,457	7,457
Other trade payables	15,951	15,687	17,545	17,342
Social security creditor	2,996	2,939	2,970	2,916
Other taxes payable	3,087	3,087	3,158	3,118
Other payables	4,522	4,099	4,969	4,112
Accruals	18,941	18,985	18,662	18,540
NHS Charitable funds: Trade and other payables	54	0	6	0
<b>Total current trade and other payables</b>	<b>55,253</b>	<b>54,499</b>	<b>59,941</b>	<b>60,396</b>
	0			
<b>Non-Current</b>				
Other payables	88	0	0	0
<b>Total non-current trade and other payables</b>	<b>88</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Note 15.2 Early retirement details included in NHS payables above**

There are no payments due in future years under arrangements to buy out the liability for early retirements over five instalments included in the above figures for 2013/14 or 2014/15 and no outstanding pension contributions for early retirements for either year.

**Note 16. Other liabilities**

	Group 31 March 2015 £000	Trust 31 March 2015 £000	Group 31 March 2014 £000	Trust 31 March 2014 £000
Deferred income - goods and services	8,803	8,536	5,182	5,182
	<u>8,803</u>	<u>8,536</u>	<u>5,182</u>	<u>5,182</u>

**Note 17 Borrowings**

	Current				Non-current			
	Group 31 March 2015 £000	Trust 31 March 2015 £000	Group 31 March 2014 £000	Trust 31 March 2014 £000	Group 31 March 2015 £000	Trust 31 March 2015 £000	Group 31 March 2014 £000	Trust 31 March 2014 £000
Obligations under finance leases	29	0	30	0	39	0	35	0
<b>Total</b>	<b>29</b>	<b>0</b>	<b>30</b>	<b>0</b>	<b>39</b>	<b>0</b>	<b>35</b>	<b>0</b>

**Note 18 Prudential borrowing limit**

The prudential borrowing code requirements in section 41 of the NHS Act 2006 have been repealed with effect from 1 April 2013 by the Health and Social Care Act 2012. The financial disclosures that were provided previously are no longer required.

**Note 19 Provisions**

	<b>Current</b>				<b>Non-current</b>			
	<b>Group</b>	<b>Trust</b>	<b>Group</b>	<b>Trust</b>	<b>Group</b>	<b>Trust</b>	<b>Group</b>	<b>Trust</b>
	<b>31 March 2015</b>	<b>31 March 2015</b>	<b>31 March 2014</b>	<b>31 March 2014</b>	<b>31 March 2015</b>	<b>31 March 2015</b>	<b>31 March 2014</b>	<b>31 March 2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Legal claims	1,286	1,286	1,295	1,295	0	0	0	0
Redundancy	0	0	0	0	0	0	0	0
Other	794	794	1,591	1,591	2,674	2,674	2,463	2,463
<b>Total</b>	<b>2,080</b>	<b>2,080</b>	<b>2,886</b>	<b>2,886</b>	<b>2,674</b>	<b>2,674</b>	<b>2,463</b>	<b>2,463</b>

	<b>Legal claims</b>	<b>Redundancy</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Analysis for 2014/15 - Group</b>				
At 1 April 2014	1,295	0	4,054	5,349
Change in the discount rate	0	0	0	0
Arising during the year	101	0	211	312
Utilised during the year - accruals	(108)	0	(146)	(254)
Utilised during the year - cash	0	0	(74)	(74)
Reversed unused	(2)	0	(880)	(882)
Unwinding of discount	0	0	303	303
<b>At 31 March 2014</b>	<b>1,286</b>	<b>0</b>	<b>3,468</b>	<b>4,754</b>

**Expected timing of cash flows:**

not later than one year	1,286	0	794	2,080
later than one year and not later than five years	0	0	541	541
later than five years	0	0	2,133	2,133

Other provisions relate to injury benefits (£2.8m) and VAT risks (£0.7m)

£99,965k is included in the provisions of the NHS Litigation Authority at 31/3/15 in respect of clinical negligence liabilities of the Trust (31/03/14 £83,127k).

	<b>Legal claims</b>	<b>Redundancy</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Analysis for 2013/14 - Group</b>				
At 1 April 2013	1,248	9	3,817	5,074
Change in the discount rate	0	0	168	168
Arising during the year	737	0	916	1,653
Utilised during the year - accruals	0	0	(35)	(35)
Utilised during the year - cash	(234)	(9)	(176)	(419)
Reversed unused	(456)	0	(708)	(1,164)
Unwinding of discount	0	0	72	72
<b>At 31 March 2013</b>	<b>1,295</b>	<b>0</b>	<b>4,054</b>	<b>5,349</b>

**Expected timing of cash flows:**

not later than one year	1,295	0	1,591	2,886
later than one year and not later than five years	0	0	502	502
later than five years	0	0	1,961	1,961

	Group 2014/15 Property, plant and equipment £000	Trust 2014/15 Property, plant and equipment £000	Group 2013/14 Property, plant and equipment £000	Trust 2013/14 Property, plant and equipment £000
<b>Note 20 Revaluation reserve</b>				
As at 1st April	77,306	77,067	63,923	63,923
Impairments	5,555	5,555	8,220	8,220
Revaluations	6,169	6,169	5,377	5,138
Asset disposals	(45)	(45)	(214)	(214)
<b>Revaluation Reserve at 31 March</b>	<b>88,985</b>	<b>88,746</b>	<b>77,306</b>	<b>77,067</b>

Note: there are no balances or movements relating to intangible assets.

**Note 21 Analysis of Charity Reserves in the Group position**

	2014/15 £000	2013/14 £000
Endowment funds	26	24
Restricted funds	2,986	2,575
Unrestricted funds	1,702	1,715
<b>Total Charity Reserves at 31 March</b>	<b>4,714</b>	<b>4,314</b>

	Group Cash and cash equivalents (excluding charitable funds) £000	NHS Charitable funds: cash and cash equivalents 31 March 2015 £000	Trust 31 March 2015 £000	Group Cash and cash equivalents (excluding charitable funds) 31 March 2014 £000	NHS Charitable funds: cash and cash equivalents 31 March 2014 £000	Trust 31 March 2014 £000
<b>Note 22 Cash and cash equivalents</b>						
At 1 April	44,072	632	43,980	60,109	919	59,914
Net change in year	(12,557)	(13)	(12,685)	(16,037)	(287)	(15,934)
<b>At 31 March</b>	<b>31,515</b>	<b>619</b>	<b>31,295</b>	<b>44,072</b>	<b>632</b>	<b>43,980</b>
<b>Comprises:</b>						
Cash at commercial banks and in hand	417	619	197	517	559	425
Cash with the Government Banking Service	31,098	0	31,098	43,555	0	43,555
Other current investments	0	0	0	0	73	0
<b>Cash and cash equivalents as in statement of financial position</b>	<b>31,515</b>	<b>619</b>	<b>31,295</b>	<b>44,072</b>	<b>632</b>	<b>43,980</b>
Bank overdraft	0	0	0	0	0	0
<b>Net cash and cash equivalents as in statement of financial position</b>	<b>31,515</b>	<b>619</b>	<b>31,295</b>	<b>44,072</b>	<b>632</b>	<b>43,980</b>

**Third Party Assets held by the Trust**

The Trust held a minimal amount of cash and cash equivalents at 31 March 2015 (minimal value at 31 March 2014) which relates to monies held on behalf of patients.

**Note 23 Contractual capital commitments**

Commitments under capital expenditure contracts at 31st March 2015 were £5,214k for property, plant and equipment and £187k software. (Total at 31st March 2014 £16,291k property, plant and equipment and £125k software). These were all held by the Trust.

**Note 24 Events after the reporting period**

No events after the reporting period have been identified as having a material effect on the accounts.

**Note 25 Contingencies**

There are £0k contingent liabilities relating to legal cases being taken against the Trust and £0k contingent assets at 31st March 2015. There were £100k contingent liabilities and £0k contingent assets as at 31st March 2014. These were all held by the Trust.



## 26 Related Party Transactions

All bodies within the scope of the Whole of Government Accounts (WGA) are treated as related parties of an NHS Foundation Trust. Income and expenditure and year end balances with these organisations are summarised below (this excludes balances relating to the subsidiary). Organisations with income or expenditure balances with the Trust for the year in excess of £1m have been separately identified.

	Revenue £000s	Expenditure £000s	Receivables £000s	Payables £000s
Health Education England	17,515	3	145	4,335
Kent & Medway Area Team	12,712	0	498	25
Kent & Medway NHS and Social Care Partnership Trust	1,251	361	684	4
Kent Community Health NHS Trust	2,639	2,810	649	355
Kent Community Health NHS Trust ** FT status from 1 Mar 2015 **	636	76	0	0
Maidstone and Tunbridge Wells NHS Trust	2,632	5,932	1,251	2,235
Medway NHS Foundation Trust	305	2,058	153	254
NHS Ashford CCG	58,839	0	512	2,398
NHS Canterbury & Coastal CCG	109,951	34	1,846	495
NHS Litigation Authority	0	10,890	0	0
NHS Medway CCG	1,707	(12)	15	1
NHS South Kent Coast CCG	115,326	0	858	2,592
NHS Swale CCG	3,762	0	23	4
NHS Thanet CCG	89,286	63	985	456
NHS West Kent CCG	4,465	0	5	127
Royal Surrey County Hospital NHS Foundation Trust	1,244	0	0	0
Surrey & Sussex Area Team	77,903	0	7,357	6
Wessex Area Team	5,538	0	1,319	0
Local Government bodies	974	2,868	154	1,571
Other government departments	225	49,410	1,382	10,134
Other NHS Bodies	3,349	2,690	2,403	790
<b>Total</b>	<b>510,259</b>	<b>77,183</b>	<b>20,239</b>	<b>25,782</b>

The Trust has also received £640k from East Kent Hospitals Charity, whose Corporate Trustee is the Trust's Board of Directors. The Charity has been treated as a subsidiary in the Group position.

A number of the Directors of the Trust are also directors of Healthex Limited or their subsidiary East Kent Medical Services Limited. The Trust received £1,496k revenue and incurred £3,730k expenditure with the subsidiary during the year, as at the 31 March 2015 the Trust was owed £2,016k by the subsidiary and owed £1,602k. These transactions and balances have been removed on consolidation.

**Note 27.1 Financial assets by category****Assets as per Statement of Financial Position**

	Group Loans and receivables £000	Investment in Subsidiary £000	Trust Loans and receivables £000	Total £000
Trade and other receivables excluding non financial assets	21,548	0	19,826	19,826
Other investments	0	48	0	48
Cash and cash equivalents at bank and in hand	31,515	0	31,296	31,296
NHS Charitable funds: financial assets	881	0	629	629
<b>Total at 31 March 2015</b>	<b>53,944</b>	<b>48</b>	<b>51,751</b>	<b>51,799</b>
Trade and other receivables excluding non financial assets	34,163	0	37,097	37,097
Other investments	0	48	0	48
Cash and cash equivalents at bank and in hand	44,072	0	43,980	43,980
NHS Charitable funds: financial assets	670	0	0	0
<b>Total at 31 March 2014</b>	<b>78,905</b>	<b>48</b>	<b>81,077</b>	<b>81,125</b>

**Note 27.2 Financial liabilities by category**

	Group Other financial liabilities £000	Trust Other financial liabilities £000
Obligations under finance leases	68	0
Trade and other payables excluding non financial liabilities at 31 March 2015	49,023	44,139
NHS Charitable funds: financial liabilities	54	0
<b>Total at 31 March 2015</b>	<b>49,145</b>	<b>44,139</b>
Obligations under finance leases	65	0
Trade and other payables excluding non financial liabilities at 31 March 2014	53,807	54,362
NHS Charitable funds: financial liabilities	6	0
<b>Total at 31 March 2014</b>	<b>53,878</b>	<b>54,362</b>

**Note 27.3 Fair value of Financial Assets (over 1 year)**

	Group Other financial liabilities £000	Trust Other financial liabilities £000
Investment in subsidiary	0	48
Non current trade and other receivables excluding non financial assets	50	50
NHS Charitable funds: Non current financial assets	13	13
<b>Total at 31 March 2015</b>	<b>63</b>	<b>111</b>
	Book Value £000	Book Value £000
Investment in subsidiary	0	48
Non current trade and other receivables excluding non financial assets	20	1,562
NHS Charitable funds: Non current financial assets	12	0
<b>Total at 31 March 2014</b>	<b>32</b>	<b>1,610</b>

Fair value is considered to be book value.

**Note 27.4 Fair value of Financial Liabilities (over 1 year)**

	Group Book Value £000	Trust Book Value £000
Non current trade and other payables excluding non financial liabilities	0	0
Provisions under contract	0	0
Other	39	0
<b>Total at 31 March 2015</b>	<b>39</b>	<b>0</b>
	Book Value £000	Book Value £000
Non current trade and other payables excluding non financial liabilities	0	0
Provisions under contract	0	0
Other	35	0
<b>Total at 31 March 2014</b>	<b>35</b>	<b>0</b>

Fair value is considered to be book value.

## **Note 27.5 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 Trust has with commissioners and the way those commissioners are financed, the 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 the financial reporting standards mainly apply. The 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 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. Therefore the Trust has low exposure to currency rate fluctuations.

### **Interest rate risk**

Most of the Trust's financial assets and liabilities carry nil or fixed rates of interest. Cash deposits at 31st March 2015 were mainly held in Government Banking Service accounts with a floating interest rate. The Trust did not take out any loans during the period. Trade and other receivables for the Trust include a loan to the subsidiary, Healthex Limited. These carry market rates of interest and are eliminated on consolidation.

During the year, limited amounts of cash were held within commercial bank accounts (at fixed rates or linked to the bank base rate). Therefore, the Trust is not exposed to significant interest rate risk.

### **Credit risk**

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has relatively low exposure to credit risk. The maximum exposure as at 31 March 2015 is in receivables from customers. However, the Trust utilises external tracing and debt collection agencies, and court procedures, to pursue overdue debt.

### **Liquidity risk**

The majority of the Trust's operating costs are incurred under contract with commissioners, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from internally-generated resources. The Trust is not, therefore, exposed to significant liquidity risks.

**Note 28 Losses and Special Payments**

	2014/15 Number of cases	2014/15 Value of cases £000	2013/14 Number of cases	2013/14 Value of cases £000
Cost or valuation at 1 April 2014				
Cash losses (including overpayments, physical losses and theft)	40	22	29	35
Fruitless payments and constructive losses	0	0	0	0
Bad debts and claims abandoned	106	20	62	23
Damage to buildings, property etc - including store losses	42	1,488	55	8
<b>Special Payments</b>				
Compensation under legal obligation	0	0	0	0
Ex gratia payments	128	51	135	115
Special severance payments	0	0	0	0
<b>TOTAL</b>	<b>316</b>	<b>1,581</b>	<b>281</b>	<b>181</b>

The above losses all relate to the Trust, the subsidiaries made no losses or special payments. These amounts are reported on an accruals basis but exclude provisions for future losses. £2k has been recovered in 2014/15 against losses incurred.

There were two cases of losses and special payments in 2014/15 that were over £250k which related to Stock Shortages £545k and Stock write offs £943k. These losses were approved by the Board of Directors on 24th April 2015. In 2013/14 there were no losses or special payments over £250k.

**Note 29 Corporation tax**

	Group 2014/15 £000	Trust 2014/15 £000	Group 2013/14 £000	Trust 2013/14 £000
UK corporation tax expense	89	0	40	0
Deferred tax expense	9	0	0	0
Total income tax expense in Statement of Comprehensive Income	<u>98</u>	<u>0</u>	<u>40</u>	<u>0</u>
Effective tax charge percentage	22%	0%	22%	0%

**Note 30 Effect of the Prior Period Adjustment**

There are no Prior Period Adjustments in the account.