

**CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED
31 MARCH 2013**



Putting patients first

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

We have audited the financial statements of East Kent University Hospital NHS Foundation Trust for the year ended 31 March 2013 on pages 1 to 37. These financial statements have been prepared under applicable law and the NHS Foundation Trust Annual Reporting Manual 2012/13.

This report is made solely to the Board of Governors of East Kent University Hospital NHS Foundation Trust 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 Board 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 Board of Governors of the Trust, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the accounting officer and the auditor

As described more fully in the Statement of Accounting Officer's Responsibilities on page 58 of the Annual Report, 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 Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of East Kent University Hospital NHS Foundation Trust's affairs as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2012/13.

Opinion on other matters prescribed by the Audit Code for NHS Foundation Trusts

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report where 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, 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 are not required to assess, nor have we assessed, whether all risks and controls have been addressed by the Annual Governance Statement or that risks are satisfactorily addressed by internal controls.

Certificate

We certify that we have completed the audit of the accounts of East Kent University Hospital 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.

Neil Thomas for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Canada Square
London

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FOREWORD TO THE ACCOUNTS

EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST

These accounts, for the 12 months ended 31 March 2013, 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 black ink, appearing to read 'Stuart Bani', with a horizontal line underneath.

Chief Executive

Date: 24 May 2013

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

	NOTE	Group 2012/13 £000	Trust 2012/13 £000	Trust 2011/12 £000
Operating Income from continuing operations	2	501,485	500,120	490,341
Operating Expenses of continuing operations	3	(489,625)	(488,274)	(473,318)
Operating surplus		11,860	11,846	17,023
Finance costs:				
Finance income	6	399	425	407
Finance Costs	7	(2)	0	0
Finance expense - unwinding of discounts on provisions	19	(78)	(78)	(157)
Public dividend capital dividends payable		(8,164)	(8,164)	(8,321)
Net Finance costs		(7,845)	(7,817)	(8,071)
Corporation tax expense	28	0	0	0
Surplus from continuing operations		4,015	4,029	8,952
Surplus/(deficit) of discontinued operations and the gain/(loss) on disposal of discontinued operations		0	0	0
Surplus for the year		4,015	4,029	8,952
Other comprehensive income				
Impairments		(4,222)	(4,222)	(1,710)
Revaluations	20	(2)	(2)	0
Asset disposals		0	0	0
Other recognised gains and losses		0	0	0
Other reserve movements		0	0	4
Total comprehensive income/(expense) for the year		(209)	(195)	7,246

The notes on pages 5 to 37 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

		Group 31 March 2013 £000	Trust 31 March 2013 £000	Trust 31 March 2012 £000
	NOTE			
Non-current assets				
Intangible assets	8	2,164	2,164	1,921
Property, plant and equipment	9	264,588	261,717	265,267
Investment in subsidiary	10	0	48	0
Trade and other receivables	14	4,575	6,198	6,031
Total non-current assets		271,327	270,127	273,219
Current assets				
Inventories	13	7,191	7,191	8,081
Trade and other receivables	14	14,818	15,862	13,802
Non current assets for sale and assets in disposal groups	12	0	0	0
Cash and cash equivalents	21	60,109	59,914	54,483
Total current assets		82,118	82,967	76,366
Total assets		353,445	353,094	349,585
Current liabilities				
Trade and other payables	15	(47,550)	(47,298)	(44,504)
Borrowings	17	(30)	0	0
Provisions	19	(2,863)	(2,846)	(1,739)
Other current liabilities	16	(1,719)	(1,719)	(2,084)
Total current liabilities		(52,162)	(51,863)	(48,327)
Total assets less current liabilities		301,283	301,231	301,258
Non-current liabilities				
Trade and other payables	15	0	0	0
Borrowings	17	(66)	0	0
Provisions	19	(2,211)	(2,211)	(2,043)
Other non-current liabilities	16	0	0	0
Total non-current liabilities		(2,277)	(2,211)	(2,043)
Total assets employed		299,006	299,020	299,215
Financed by (taxpayers' equity):				
Public dividend capital		189,525	189,525	189,525
Revaluation reserve	20	63,923	63,923	68,539
Income and expenditure reserve		45,558	45,572	41,151
Total Taxpayers' Equity		299,006	299,020	299,215

The financial statements on pages 1 to 37 were approved by the Board of Directors on 24th May 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	Total £000
Taxpayers equity at 1 April 2012	189,525	68,539	41,151	299,215
Surplus/(deficit) for the year	0	0	4,015	4,015
Impairments	0	(4,222)	0	(4,222)
Revaluations	0	(2)	0	(2)
Asset disposals	0	(392)	392	0
Other recognised gains and losses	0	0	0	0
Public Dividend Capital received	0	0	0	0
Other reserve movements	0	0	0	0
Taxpayers equity at 31 March 2013	189,525	63,923	45,558	299,006

Trust

	Public dividend capital (PDC) £000	Revaluation reserve £000	Income and Expenditure Reserve £000	Total £000
Taxpayers equity at 1 April 2012	189,525	68,539	41,151	299,215
Surplus/(deficit) for the year	0	0	4,029	4,029
Impairments	0	(4,222)	0	(4,222)
Revaluations	0	(2)	0	(2)
Asset disposals	0	(392)	392	0
Other recognised gains and losses	0	0	0	0
Public Dividend Capital received	0	0	0	0
Other reserve movements	0	0	0	0
Taxpayers equity at 31 March 2013	189,525	63,923	45,572	299,020

2011/12 Trust

	Public dividend capital (PDC) £000	Revaluation reserve £000	Income and Expenditure Reserve £000	Total £000
Taxpayers equity at 1 April 2011	189,400	72,381	30,071	291,852
Prior period adjustment	0	0	0	0
Taxpayers equity at 1 April 2011 - restated	189,400	72,381	30,071	291,852
Surplus/(deficit) for the year	0	0	8,952	8,952
Impairments	0	(1,710)	0	(1,710)
Revaluations	0	0	0	0
Asset disposals	0	(2,132)	2,132	0
Other recognised gains and losses	0	0	0	0
Public Dividend Capital received	125	0	0	125
Other reserve movements	0	0	(4)	(4)
Taxpayers equity at 31 March 2012	189,525	68,539	41,151	299,215

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013

	NOTE	Group 2012/13 £000	Trust 2012/13 £000	Trust 2011/12 £000
Cash flows from operating activities				
Operating surplus/(deficit) from continuing operations		11,860	11,846	17,023
Operating surplus/(deficit) of discontinued operations		0	0	0
Operating surplus/(deficit)		11,860	11,846	17,023
Non-cash income and expense:				
Depreciation and amortisation	3	16,207	16,145	16,896
Impairments	3	4,896	4,896	298
Reversals of impairments		(74)	(74)	0
(Gain)/Loss on disposal		288	288	(159)
Interest accrued and not paid		66	96	82
Dividends accrued and not received		233	233	134
(Increase)/decrease in Trade and Other Receivables		1,658	(2,416)	3,772
(Increase)/decrease in Inventories		890	890	(892)
Increase/(decrease) in Trade and Other Payables		400	4,310	(726)
Increase/(decrease) in Other current Liabilities		(365)	(365)	(799)
Increase/(decrease) in Provisions		1,214	1,197	(761)
Tax paid/received		0	0	0
Other movements in operating cash flows		(104)	0	(3)
Net cash generated from/(used in) operations		37,169	37,046	34,865
Cash flows from investing activities:				
Interest received		333	336	325
Purchase of intangible assets		(474)	(474)	(1,238)
Purchase of Property, Plant and Equipment		(23,214)	(23,214)	(16,322)
Sales of Property, Plant and Equipment		0	0	2,192
Cash from acquisition of subsidiary		77	0	0
Net cash generated from/(used in) investing activities		(23,278)	(23,352)	(15,043)
Cash flows from financing activities:				
Interest element of finance leases		(2)	0	0
Public Dividend Capital received		0	0	125
PDC Dividend Paid		(8,263)	(8,263)	(8,308)
Net cash generated from/(used in) financing activities		(8,265)	(8,263)	(8,183)
Increase/(decrease) in cash and cash equivalents		5,626	5,431	11,639
Cash and cash equivalents at start of period		54,483	54,483	42,844
Cash and cash equivalents at end of period		60,109	59,914	54,483

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 2012/13 issued by Monitor. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) and HM Treasury's 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 from the date of acquisition and assets and liabilities of the subsidiary have been included in the consolidated balance sheet. Accounting policies have been aligned and inter company balances have been eliminated. In 2011/12 the Trust held no subsidiaries, thus the comparators are for the Trust only.

The Trust is corporate trustee of the East Kent Hospitals Charity. Until 31 March 2013 HM Treasury has granted dispensation to the application of IAS 27 (subsidiaries) by NHS foundation trusts in relation to the consolidation of NHS charitable funds.

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 NHS foundation 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.

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.

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

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. As a result in the change of valuation basis from depreciated replacement cost to modern equivalent assets the whole estate was revalued in 2009/10 with a valuation date of the 31st March 2010. An interim desktop valuation has been carried out as at 31st March 2013. 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.

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 2013 for substantial works completed in the financial year 2012/13. 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.:
 - o management are committed to a plan to sell the asset;
 - o an active programme has begun to find a buyer and complete the sale;
 - o the asset is being actively marketed at a reasonable price;
 - o the sale is expected to be completed within 12 months of the date of classification as "Held for Sale"; and
 - o 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.

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.

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 Ltd, 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.

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.

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.

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

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 HM Treasury's discount rate of 2.2% in real terms, except for early retirement provisions and injury benefit provisions which both use the HM Treasury's pension discount rate of 2.35% (2011/12: 2.8%) in real terms.

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 24 where an inflow of economic benefits is probable. Contingent liabilities are not recognised, but are disclosed in note 24, 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, (ii) net cash balances held with the Government Banking Services (GBS), excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and (iii) 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 NHS Foundation Trust does not have a corporation tax liability for the year 2012/13. 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, however, as they made losses this financial year they have incurred no charges.

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 31 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, £220m (2011/12 £228m): 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 2013 is £2.6m, this is compared to £1.4m at 31st March 2012. The valuation as at 31st March 2013 has been agreed with commissioners. The value of partially completed spells as at 31st March 2012 did not include a valuation of patients being treated in Intensive Care. "Partially complete spells were calculated as at the 25th 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.

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 £0.8m is included in 2012/13 operating expenditure for outstanding charges from these organisations, based on referral data held in the Trust's Patient Administration System at 31 March 2013 (2011/12 £1.9m).

Untaken annual leave: salary costs include a £0.8m estimate for the annual leave earned but not taken by employees at 31 March 2013, to the extent that staff are permitted to carry leave forward to the next financial year (2011/12 £0.8m)

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 Future Changes to Accounting Policies

International accounting standard IAS8 requires organisations to consider the potential impact of future changes to accounting policies. Changes to the standards below have been reviewed and would not have a material impact on the Trust.

Whilst the following standards have an effective date of 2013/14 but have not yet been adopted by the EU: -

IFRS 10 - Consolidated Financial Statements

IFRS 11 - Joint Arrangements

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 13 - Fair Value Measurement

IAS 12 - Income Taxes Amendment

IAS 1 - Presentation of Financial Statements, on other Comprehensive Income

IAS 27 - Separate Financial Statements

IAS 28 - Associates and Joint Ventures

IAS 19 - Employee Benefits

IAS 32 - Financial Instruments: Presentation and Disclosures - Offsetting financial assets and liabilities

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.

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. Primary Care Trusts 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 from funds held by the Strategic Health Authority 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	Trust	Trust
	2012/13	2012/13	2011/12
Income from Activities			
	£000	£000	£000
Elective income	92,221	91,910	91,121
Non elective income	134,762	134,762	132,130
Outpatient income	87,054	86,216	86,384
A&E income	19,265	19,265	18,130
Other NHS clinical income	126,814	126,814	121,462
Private patient income	1,511	677	595
Other non-protected clinical income	2,200	2,200	2,381
Total income from activities	463,827	461,844	452,203
Other Operating Income			
Total analysed in note 2.4	37,658	38,276	38,138
TOTAL OPERATING INCOME	501,485	500,120	490,341

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.

Note 2.3 Operating lease income	Group	Trust	Trust
	2012/13	2012/13	2011/12
	£000	£000	£000
Rents recognised as income in the period	186	183	108
Future minimum lease payments due to the Trust on other leases expiring			
- not later than one year	185	185	108
- later than one year and not later than five years	0	0	0
- later than five years	0	0	0
TOTAL	185	185	108

Note 2.4 Operating Income (by type)

	Group 2012/13 £000	Trust 2012/13 £000	Trust 2011/12 £000
Income from activities			
NHS Foundation Trusts	79	79	79
NHS Trusts	2,736	2,736	2,896
Strategic Health Authorities	481	481	446
Primary Care Trusts	456,820	455,671	445,807
Non-NHS: Private patients	1,511	677	595
Non NHS: Overseas patients (non-reciprocal)	67	67	91
NHS Injury scheme (was RTA)	1,992	1,992	2,166
Non NHS: Other	141	141	123
Total income from activities	463,827	461,844	452,203
Other Operating Income			
Research and development	1,839	1,839	1,239
Education and training	12,360	12,360	13,525
Receipt of donations for capital acquisitions from NHS charities	261	261	689
Charitable contributions to expenditure from NHS charities	389	389	380
Receipt of donations for capital acquisitions from other bodies	102	102	193
Other charitable contributions to expenditure from other bodies	271	271	230
Non-patient care services to other bodies	9,882	10,586	10,797
Profit on disposal of land and buildings	0	0	402
Reversal of impairments of property, plant and equipment	74	74	0
Income in respect of staff costs	6,199	6,199	4,253
Rental revenue from operating leases	186	183	108
Other	6,095	6,012	6,322
Total other operating income	37,658	38,276	38,138
TOTAL OPERATING INCOME	501,485	500,120	490,341
Analysis of Other Operating Income: Other			
Car parking	2,760	2,760	2,475
Estates recharges	307	319	222
Staff accommodation rentals	2,074	2,074	2,163
Creche services	144	144	441
Property rentals	5	5	3
Other	805	710	1,018
Total other operating income	6,095	6,012	6,322

Note: Injury scheme income is subject to a 12.6% provision for impairment of receivables to reflect expected rates of collection

Income from activities arising from mandatory and non-mandatory services

	Group 2012/13 £000	Trust 2012/13 £000	Trust 2011/12 £000
Mandatory	458,967	458,967	449,228
Non-mandatory	42,518	41,153	41,113
Total	501,485	500,120	490,341

Note 3.1 Operating Expenses (by type)	Group	Trust	Restated
	2012/13	2012/13	Trust
	£000	£000	2011/12
			£000
Services from NHS Foundation Trusts	519	519	301
Services from NHS Trusts	411	411	230
Services from PCTs	0	0	179
Purchase of healthcare from non NHS bodies	3,743	4,689	4,067
Employee Expenses - Executive Directors	984	984	1,004
Employee Expenses - Non Executive Directors	136	136	137
Employee Expenses - Staff	292,707	290,928	286,166
Drug costs - non inventory drugs	12,224	12,138	11,863
Drug Inventories consumed	29,328	29,328	26,571
Supplies and services - clinical (excluding drug costs)	63,043	63,020	62,037
Supplies and services - general	17,506	17,500	17,567
Establishment	5,116	5,056	6,008
Transport	1,280	1,271	1,363
Premises	18,948	18,871	17,883
Increase/(decrease) in bad debt provision	679	605	1,402
Inventories write down	257	257	611
Rentals under operating leases - minimum lease payments	1,819	1,813	1,366
Depreciation on property, plant and equipment	15,856	15,794	16,731
Amortisation on intangible assets	351	351	165
Impairments of property, plant and equipment	4,896	4,896	298
Audit fees			
audit services - statutory audit*	83	83	83
Other auditors remuneration	35	35	28
Clinical negligence	8,701	8,701	8,066
Loss on disposal of land and buildings	0	0	26
Loss on disposal of other property, plant and equipment	288	288	216
Legal fees	325	304	237
Consultancy costs	688	688	1,103
Training, courses and conferences	1,218	1,208	1,603
Patient travel	1,142	1,142	824
Car parking and security	79	79	186
Redundancy	9	9	36
Hospitality	97	97	117
Insurance	372	345	302
Other services e.g. external payroll	3,828	3,822	3,884
Losses, ex gratia and special payments	30	30	28
Other	2,927	2,876	630
Total Operating Expenses	489,625	488,274	473,318

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

	Group	Trust	Trust
Note 3.2 Arrangements containing an operating lease	2012/13 £000	2012/13 £000	2011/12 £000
Minimum lease payments - Buildings	13	13	20
Minimum lease payments - Plant and Machinery	863	863	327
Minimum lease payments - Other	943	937	1,019
TOTAL	1,819	1,813	1,366

	Plant & Machinery	Group Other	Total	Plant & Machinery	Trust Other	Total	Plant & Machinery	Trust Other	Total
Note 3.3 Arrangements containing an operating lease	2012/13 £000	2012/13 £000	2012/13 £000	2012/13 £000	2012/13 £000	2012/13 £000	2011/12 £000	2011/12 £000	2011/12 £000
Total future minimum lease payments due:									
Not later than one year	676	578	1,254	676	572	1,248	358	723	1,081
Later than one year and not later than five years	417	438	855	417	420	837	791	730	1,521
Later than five years	0	0	0	0	0	0	0	0	0
Total	1,093	1,016	2,109	1,093	992	2,085	1,149	1,453	2,602

Total of future minimum sublease payments to be received at the balance sheet date

0 0 0

	Group 2012/13 £000	Trust 2012/13 £000	Trust 2011/12 £000
Note 3.4 The Late Payment of Commercial Debts (Interest) Act 1998			
Amounts included within other interest payable arising from claims made under this legislation	0	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0	0

	Group 2012/13 £000	Trust 2012/13 £000	Trust 2011/12 £000
Note 3.5 Analysis of profit /(loss) on disposal of fixed assets			
Protected assets	0	0	0
Unprotected assets	(288)	(288)	160
Total profit/(loss) on disposal	(288)	(288)	160

Note: protected assets are those held for the purpose of providing mandatory services under the Trust's Terms of Authorisation

	Group 2012/13 £000	Trust 2012/13 £000	Trust 2011/12 £000
Note 3.6 Auditor remuneration (excluding statutory audit)			
All other taxation advisory services	2	2	5
All other assurance services	24	24	23
All other non-audit services	9	9	0
Total	35	35	28

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 2012/13 results and the comparatives for 2011/12. The Trust's subsidiary does not meet the definition of an operating segment and is 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. The cost of staff providing services to other organisations and the related income (£4.253m), included in Corporate functions for 2011/12, have been allocated to the relevant Division in 2012/13. 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 2013

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	147,957	155,231	126,929	28,919	2,807	461,843
Other income	6,759	8,152	6,913	5,291	11,162	38,277
Total Trust income	154,716	163,383	133,842	34,210	13,969	500,120
Income from internal trading	0	9,748	0	51,150	0	60,898
Total segment income	154,716	173,131	133,842	85,360	13,969	561,018
Pay costs	71,643	80,338	59,704	50,223	30,139	292,047
Non-pay expenditure	20,082	40,188	31,606	26,057	56,965	174,898
Total direct costs	91,725	120,526	91,310	76,280	87,104	466,945
Indirect costs (internal trading)	22,318	18,257	20,322	0	0	60,897
Expenditure by segment	114,043	138,783	111,632	76,280	87,104	527,842
Contribution	40,673	34,348	22,210	9,080	-73,136	33,176
Overheads					21,330	21,330
Financing costs					7,817	7,817
					-102,283	
Surplus/(deficit)						4,029

Year ended 31 March 2012

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	140,031	152,144	129,517	29,036	1,475	452,203
Other income	5,539	9,129	5,283	4,777	13,410	38,138
Total Trust income	145,570	161,273	134,800	33,813	14,885	490,341
Income from internal trading	0	9,246	0	51,750	0	60,996
Total segment income	145,570	170,519	134,800	85,563	14,885	551,337
Pay costs	67,685	77,271	61,538	49,558	31,255	287,307
Non-pay expenditure	18,857	38,563	30,118	26,509	54,528	168,575
Total direct costs	86,542	115,834	91,656	76,067	85,783	455,882
Indirect costs (internal trading)	22,112	18,281	20,603	0	0	60,996
Expenditure by segment	108,654	134,115	112,259	76,067	85,783	516,878
Contribution	36,916	36,404	22,541	9,496	-70,898	34,459
Overheads					17,436	17,436
Financing costs					8,071	8,071
					-96,405	
Surplus/(deficit)						8,952

Note 5.1 Employee Expenses (including executive directors)	Group 2012/13			Trust 2012/13			Trust 2011/12		
	Total	Permanently Employed	Other	Total	Permanently Employed	Other	Total	Permanently Employed	Other
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Salaries and wages	231,372	231,372	0	230,645	230,645	0	229,013	229,013	0
Social Security Costs	18,343	18,343	0	18,284	18,284	0	18,092	18,092	0
Pension costs - defined contribution plans:									
Employer contributions to NHS Pensions	27,291	27,291	0	27,291	27,291	0	27,304	27,304	0
Pension costs - other contributions	9	9	0	0	0	0	0	0	0
Other employment benefits	1	1	0	0	0	0	0	0	0
Termination benefits	0	0	0	0	0	0	36	36	0
Agency/contract staff	16,951	860	16,091	15,968	0	15,968	13,029	0	13,029
Total	293,967	277,876	16,091	292,188	276,220	15,968	287,474	274,445	13,029
Costs capitalised as part of assets	276	276	0	276	276	0	268	268	0

Note 5.2 Average number of employees (wte basis)

	Group			Trust			Trust		
	Total	2012/13 Permanent	Other	Total	2012/13 Permanent	Other	Total	2011/12 Permanent	Other
	Number	Number	Number	Number	Number	Number	Number	Number	Number
Medical and dental	963	963	0	963	963	0	922	922	0
Administration and estates	1,443	1,443	0	1,413	1,413	0	1,454	1,454	0
Healthcare assistants and other support staff	1,069	1,069	0	1,069	1,069	0	1,108	1,108	0
Nursing, midwifery and health visiting staff	2,091	2,091	0	2,043	2,043	0	2,018	2,018	0
Nursing, midwifery and health visiting learners	11	11	0	11	11	0	13	13	0
Scientific, therapeutic and technical staff	1,298	1,298	0	1,298	1,298	0	1,303	1,303	0
Bank and agency staff	595	0	595	544	0	544	476	0	476
Total	7,470	6,875	595	7,341	6,797	544	7,294	6,818	476
Number of staff employed on capital projects	5	5	0	5	5	0	4	4	0

Note 5.3 Employee benefits

There were no employee benefits paid by the Trust in 2012/13 (nil 2011/12), the subsidiary paid £1k for employee benefits.

Note 5.4 Exit Packages

The Trust agreed 1 compulsory redundancy in 2012/13 (2011/12, 2) at a cost of £9k (2011/12, £36k).

Note 5.5 Retirements due to ill-health

During 2012/13 there were 22 (2011/12, 9) early retirements from the NHS Foundation Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £1,277,057 (2011/12, £594,271). 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 broken down 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 no gains made by the non-executive and executive directors in post during 2012/13 on the exercise of share options (2011/12, nil), no long term incentive scheme payments (2011/12, nil), no contributions to non-NHS pension schemes (2011/12, nil) and no added contribution to the NHS pension scheme (2011/12, nil), no advances or credits to directors (2011/12, nil), and no guarantees by the Trust on behalf of a director (2011/12, nil).

Total remuneration paid to directors for the year ended 31/03/2013 (in their capacity as directors) totalled £1028k (2011/12 £1,030k). No other remuneration was paid to Directors in their capacity as directors. There were no 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 31/03/2013 totalled £92k (2011/12 £111k). The total number of directors to whom benefits are accruing under the NHS defined benefit scheme (the NHS Pension Scheme) was 6.

Note 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. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation. Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued. The valuation of the scheme liability as at 31 March 2011 is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data. The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

c) Scheme provisions

In 2012/13 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:

Annual Pensions

The Scheme is a "final salary" scheme. Annual pensions are normally based on $1/80^{\text{th}}$ for the 1995 section and of the best of the last three years pensionable pay for each year of service, and $1/60^{\text{th}}$ 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".

Pensions Indexation

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.

Lump Sum Allowance

A lump sum is payable on retirement which is normally three times the annual pension payment.

Ill-Health Retirement

Early payment of a pension, with enhancement in certain circumstances, is available to members of the Scheme who are permanently incapable of fulfilling their duties or regular employment effectively through illness or infirmity.

Death Benefits

A death gratuity of twice their final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

Additional Voluntary Contributions (AVCs)

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.

Transfer between Funds

Scheme members have the option to transfer their pension between the NHS Pension Scheme and another scheme when they move into or out of NHS employment.

Preserved Benefits

Where a scheme member ceases NHS employment with more than two years service they can preserve their accrued NHS pension for payment when they reach retirement age.

Compensation for Early Retirement

Where a member of the Scheme is made redundant they may be entitled to early receipt of their pension plus enhancement, at the employer's cost.

Note 6. Finance income	Group 2012/13 £000	Trust 2012/13 £000	Trust 2011/12 £000
Interest on loans and receivables	56	83	89
Interest on bank accounts	343	342	318
Total	399	425	407

Note 7.1 Finance Costs - Interest Expense	Group 2012/13 £000	Trust 2012/13 £000	Trust 2011/12 £000
Loans	0	0	0
Finance leases	2	0	0
Total	2	0	0

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

	Group 2012/13 £000	Trust 2012/13 £000	Trust 2011/12 £000
Changes in market price	4,896	4,896	298
Reversal of impairments	(74)	(74)	0
Total	4,822	4,822	298

Note 8 Intangible assets

	Computer software - purchased	Assets Under Construction	Total
	£000	£000	£000
Gross cost at 1 April 2012	1,254	930	2,184
Additions purchased	151	443	594
Reclassifications	943	(943)	0
Gross cost at 31 March 2013	<u>2,348</u>	<u>430</u>	<u>2,778</u>
Amortisation at 1 April 2012	263	0	263
Charged during the year	351	0	351
Amortisation at 31 March 2013	<u>614</u>	<u>0</u>	<u>614</u>
Net book value			
Purchased at 1 April 2012	991	930	1,921
Donated at 1 April 2012	0	0	0
Total at 1 April 2012	<u>991</u>	<u>930</u>	<u>1,921</u>
Net book value			
Purchased at 31 March 2013	1,734	430	2,164
Donated at 31 March 2013	0	0	0
Total at 31 March 2013	<u>1,734</u>	<u>430</u>	<u>2,164</u>

2011/12

	Computer software - purchased	Assets Under Construction	Total
	£000	£000	£000
Gross cost at 1 April 2011	410	516	926
Additions purchased	328	930	1,258
Reclassifications	516	(516)	0
Gross cost at 31 March 2012	<u>1,254</u>	<u>930</u>	<u>2,184</u>
Amortisation at 1 April 2011	98	0	98
Charged during the year	165	0	165
Amortisation at 31 March 2012	<u>263</u>	<u>0</u>	<u>263</u>
Net book value			
Purchased at 1 April 2011	312	516	828
Donated at 1 April 2011	0	0	0
Total at 1 April 2011	<u>312</u>	<u>516</u>	<u>828</u>
Net book value			
Purchased at 31 March 2012	991	930	1,921
Donated at 31 March 2012	0	0	0
Total at 31 March 2012	<u>991</u>	<u>930</u>	<u>1,921</u>

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

Note 9 Property, plant and equipment 2012/13
9.1 Group tangible fixed assets as at 31 March 2013 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
Cost or valuation at 1 April 2012	33,336	193,143	16,711	10,668	67,516	19	12,514	976	334,883
Additions purchased	0	6,964	0	11,057	5,012	0	1,116	0	24,149
Additions donated	0	0	0	0	362	0	0	0	362
Impairments charged to revaluation reserve	(453)	(3,742)	(109)	0	0	0	0	0	(4,304)
Reversal of impairments	0	82	0	0	0	0	0	0	82
Reclassifications	(847)	4,313	(101)	(8,728)	4,587	0	776	0	0
Revaluations	(50)	(26,286)	(1,136)	0	0	0	(335)	0	(27,807)
Disposals	0	0	0	0	(9,638)	0	(1,141)	(80)	(10,859)
Cost or valuation at 31 March 2013	31,986	174,474	15,365	12,997	67,839	19	12,930	896	316,506
Accumulated depreciation at 1 April 2012	(84)	14,641	761	0	46,824	19	6,832	623	69,616
Provided during the year	0	7,118	433	0	6,120	0	2,093	92	15,856
Impairments	135	4,569	0	0	0	0	192	0	4,896
Reversal of impairments	0	(14)	(60)	0	0	0	0	0	(74)
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	(51)	(26,285)	(1,134)	0	0	0	(335)	0	(27,805)
Disposals	0	0	0	0	(9,456)	0	(1,049)	(66)	(10,571)
Accumulated depreciation at 31 March 2013	0	29	0	0	43,488	19	7,733	649	51,918
Net book value									
NBV - Owned at 1 April 2012	33,420	170,871	15,950	10,668	19,142	0	5,671	353	256,075
NBV - Donated at 1 April 2012	0	7,631	0	0	1,550	0	11	0	9,192
NBV total at 1 April 2012	33,420	178,502	15,950	10,668	20,692	0	5,682	353	265,267
Net book value									
NBV - Owned at 31 March 2013	31,986	167,194	15,365	12,997	22,895	0	5,192	247	255,876
NBV Finance Leased at 31 March 2013	0	0	0	0	96	0	0	0	96
NBV - Donated at 31 March 2013	0	7,251	0	0	1,360	0	5	0	8,616
NBV total at 31 March 2013	31,986	174,445	15,365	12,997	24,351	0	5,197	247	264,588
9.2 Analysis of Group property, plant and equipment at 31 March 2013									
NBV - Protected assets at 31 March 2013	31,866	167,010	0	0	0	0	0	0	198,876
NBV - Unprotected assets at 31 March 2013	120	7,435	15,365	12,997	24,351	0	5,197	247	65,712
Total at 31 March 2013	31,986	174,445	15,365	12,997	24,351	0	5,197	247	264,588

Note 9.3 NBV of Group property, plant and equipment in the Revaluation Reserve as at 31 March 2013

As at 1 April 2012	12,305	52,740	1,428	0	2,007	0	4	55	68,539
movement in year	(451)	(3,827)	(47)	0	(284)	0	(4)	(3)	(4,616)
As at 31 March 2013	11,854	48,913	1,381	0	1,723	0	0	52	63,923

9.4 Trust tangible fixed assets as at 31 March 2013 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
Cost or valuation at 1 April 2012	33,336	193,143	16,711	10,668	67,516	19	12,514	976	334,883
Additions purchased	0	4,247	0	11,057	4,796	0	1,116	0	21,216
Additions donated	0	0	0	0	362	0	0	0	362
Impairments charged to revaluation reserve	(453)	(3,742)	(109)	0	0	0	0	0	(4,304)
Reversal of impairments	0	82	0	0	0	0	0	0	82
Reclassifications	(847)	4,313	(101)	(8,728)	4,587	0	776	0	0
Revaluations	(50)	(26,286)	(1,136)	0	0	0	(335)	0	(27,807)
Disposals	0	0	0	0	(9,638)	0	(1,141)	(80)	(10,859)
Cost or valuation at 31 March 2013	31,986	171,757	15,365	12,997	67,623	19	12,930	896	313,573
Accumulated depreciation at 1 April 2012	(84)	14,641	761	0	46,824	19	6,832	623	69,616
Provided during the year	0	7,089	433	0	6,087	0	2,093	92	15,794
Impairments recognised in operating expenses	135	4,569	0	0	0	0	192	0	4,896
Reversal of impairments	0	(14)	(60)	0	0	0	0	0	(74)
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	(51)	(26,285)	(1,134)	0	0	0	(335)	0	(27,805)
Disposals	0	0	0	0	(9,456)	0	(1,049)	(66)	(10,571)
Accumulated depreciation at 31 March 2013	0	0	0	0	43,455	19	7,733	649	51,856
Net book value									
NBV - Owned at 1 April 2012	33,420	170,871	15,950	10,668	19,142	0	5,671	353	256,075
NBV - Donated at 1 April 2012	0	7,631	0	0	1,550	0	11	0	9,192
NBV total at 1 April 2012	33,420	178,502	15,950	10,668	20,692	0	5,682	353	265,267
Net book value									
NBV - Owned at 31 March 2013	31,986	164,506	15,365	12,997	22,808	0	5,192	247	253,101
NBV - Donated at 31 March 2013	0	7,251	0	0	1,360	0	5	0	8,616
NBV total at 31 March 2013	31,986	171,757	15,365	12,997	24,168	0	5,197	247	261,717
9.5 Analysis of Trust property, plant and equipment at 31 March 2013									
NBV - Protected assets at 31 March 2013	31,866	167,010	0	0	0	0	0	0	198,876
NBV - Unprotected assets at 31 March 2013	120	4,747	15,365	12,997	24,168	0	5,197	247	62,841
Total at 31 March 2013	31,986	171,757	15,365	12,997	24,168	0	5,197	247	261,717

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

Within the Plant and Machinery cost or valuation at 31/03/13, the Trust has £43m of assets that are fully depreciated (31/03/12 £30m).

A desktop revaluation of the entire estate was carried out as at 31 March 2013. This valuation was carried out by an independent firm of RICS qualified valuers, Boshier and Company.

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

Note 9.6 NBV of Trust property, plant and equipment in the Revaluation Reserve as at 31 March 2013

As at 1 April 2012	12,305	52,740	1,428	0	2,007	0	4	55	68,539
movement in year	(451)	(3,827)	(47)	0	(284)	0	(4)	(3)	(4,616)
As at 31 March 2013	11,854	48,913	1,381	0	1,723	0	0	52	63,923

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
Note 9.7 Trust Property, plant and equipment 2011/12									
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2011	34,596	185,888	19,028	7,825	72,187	19	10,949	1,147	331,639
Additions purchased	0	3,611	0	9,001	5,156	0	1,152	0	18,920
Additions donated	0	0	0	0	882	0	0	0	882
Impairments charged to revaluation reserve	0	(1,710)	0	0	0	0	0	0	(1,710)
Reclassifications	(431)	5,380	(420)	(6,158)	462	0	1,167	0	0
Reclassified as held for sale and sold in year	(829)	0	(1,897)	0	0	0	0	0	(2,726)
Revaluations	0	0	0	0	0	0	0	0	0
Transferred to disposal group as asset held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	(26)	0	0	(11,171)	0	(754)	(171)	(12,122)
Cost or valuation at 31 March 2012	33,336	193,143	16,711	10,668	67,516	19	12,514	976	334,883
Cost or valuation at 1 April 2011	(84)	6,170	1,232	0	51,860	19	5,536	669	65,402
Provided during the year	0	8,143	494	0	5,967	0	2,026	101	16,731
Impairments recognised in operating expenses	0	298	0	0	0	0	0	0	298
Reversal of impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	30	(30)	0	0	0	0	0	0
Reclassified as held for sale and sold in year	0	0	(935)	0	0	0	0	0	(935)
Revaluation surpluses	0	0	0	0	0	0	0	0	0
Transferred to disposal group as asset held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(11,003)	0	(730)	(147)	(11,880)
Accumulated depreciation at 31 March 2012	(84)	14,641	761	0	46,824	19	6,832	623	69,616
Net book value									
NBV - Owned at 31 March 2012	33,420	170,871	15,950	10,668	19,142	0	5,671	353	256,075
NBV - Donated at 31 March 2012	0	7,631	0	0	1,550	0	11	0	9,192
NBV total at 31 March 2012	33,420	178,502	15,950	10,668	20,692	0	5,682	353	265,267
Note 9.8 Analysis of Trust property, plant and equipment at 31 March 2012									
NBV - Protected assets at 31 March 2012	33,300	168,006	0	0	0	0	0	0	201,306
NBV - Unprotected assets at 31 March 2012	120	10,496	15,950	10,668	20,692	0	5,682	353	63,961
Total at 31 March 2012	33,420	178,502	15,950	10,668	20,692	0	5,682	353	265,267
Note 9.9 NBV of Trust property, plant and equipment in the Revaluation Reserve as at 31 March 2012									
At 1 April 2011	13,305	54,063	2,359	0	2,581	0	6	67	72,381
Movement in year	(1,000)	(1,323)	(931)	0	(574)	0	(2)	(12)	(3,842)
As at 31 March 2012	12,305	52,740	1,428	0	2,007	0	4	55	68,539

Note 10 Investments

	Trust £000
Carrying value at 1 April 2012	0
Acquisitions in year	48
Carrying value at 31 March 2013	48

The above is the Trust's investment in the subsidiary, Healthex Limited. This has been removed upon consolidation and has been replaced with the assets and liabilities of the subsidiary.

Note 11 Finance Lease Obligations

Liabilities are due not later than one year
 Liabilities are due later than one year and not later than five years
Total

Group 31 March 2013 £000s	Trust 31 March 2013 £000s	Trust 31 March 2012 £000s
30	0	0
66	0	0
96	0	0

Note 12 Non-current assets held for sale and assets in disposal groups 2012/13

NBV of non-current assets for sale and assets in disposal groups at 1 April 2012
 Plus assets classified as available for sale in the year
 Less assets sold in the year
 NBV of non-current assets for sale and assets in disposal groups at 31 March 2013

Group Property, Plant and equipment £000	Trust Property, Plant and equipment £000
0	0
0	0
0	0
0	0

Note 13.1 Inventories

	Group	Trust	Trust
	31 March 2013	31 March 2013	31 March 2012
	£000	£000	£000
Drugs	3,059	3,059	2,980
Energy	461	461	374
Other	3,671	3,671	4,727
Total Inventories	7,191	7,191	8,081

Note 13.2 Inventories recognised in expenses

	Group	Trust	Trust
	2012/13	2012/13	2011/12
	£000	£000	£000
Inventories recognised in expenses	41,546	41,546	30,771
Write down of inventories recognised as an expense	257	257	611
Total Inventories recognised in expenses	41,803	41,803	31,382

Note 14.1 Trade receivables and other receivables

	Group	Trust	Trust
	31 March 2013	31 March 2013	31 March 2012
	Total	Total	Total
	£000	£000	£000
Current			
NHS receivables - Revenue	5,887	5,629	4,370
Receivables due from NHS charities - revenue	37	37	25
Receivables due from NHS charities - capital	50	50	94
Other receivables with related parties - revenue	0	1,285	0
Provision for the impaired receivables	(1,455)	(1,104)	(526)
Prepayments	2,265	2,167	1,453
Accrued income	2,635	2,635	1,378
Interest receivable	9	96	281
PDC receivable	233	233	134
VAT receivable	810	810	832
Other receivables	4,347	4,024	5,761
Total current trade and other receivables	14,818	15,862	13,802
Non-Current			
NHS receivables - Revenue	2,211	2,211	2,043
Other receivables with related parties - revenue	0	1,623	0
Provision for the impaired receivables	(260)	(260)	(3,533)
Prepayments	197	197	247
Other receivables	2,427	2,427	7,274
Total non-current trade and other receivables	4,575	6,198	6,031

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	Trust	Trust
	31 March 2013	31 March 2013	31 March 2012
	£000	£000	£000
At start of period	4,059	4,059	2,742
Provision held by subsidiary at acquisition	277	0	0
Increase in provision	679	605	1,402
Amounts utilised	(3,300)	(3,300)	(85)
Unused amounts reversed	0	0	0
At end of period	1,715	1,364	4,059

Note 14.3 Analysis of impaired receivables

	Trade Receivables			Other Receivables		
	Group	Trust	Trust	Group	Trust	Trust
	31 March 2013	31 March 2013	31 March 2012	31 March 2013	31 March 2013	31 March 2012
	£000	£000	£000	£000	£000	£000
Ageing of impaired receivables						
0 - 30 days	119	89	15	10	10	3,250
30-60 Days	25	25	0	18	18	1
60-90 days	22	22	1	11	11	9
90- 180 days	289	289	13	52	52	37
over 180 days	452	131	110	717	717	623
Total	907	556	139	808	808	3,920

	Trade Receivables			Other Receivables		
	Group	Trust	Trust	Group	Trust	Trust
	31 March 2013	31 March 2013	31 March 2012	31 March 2013	31 March 2013	31 March 2012
	£000	£000	£000	£000	£000	£000
Ageing of non-impaired receivables past their due date						
0 - 30 days	1,421	1,421	326	338	585	394
30-60 Days	363	363	33	77	240	292
60-90 days	76	76	118	36	272	306
90- 180 days	172	172	194	118	244	713
over 180 days	32	32	258	190	158	669
Total	2,064	2,064	929	759	1,499	2,374

Note 14.4 Finance lease receivables

The Trust and the subsidiary have no finance lease receivables.

Note 15.1 Trade and other payables

	Group	Trust	Trust
	31 March 2013	31 March 2013	31 March 2012
	Total	Total	Total
	£000	£000	£000
Current			
NHS payables	1,518	1,481	1,591
Amounts due to other related parties - revenue	0	728	0
Trade payables - capital	3,485	3,485	5,001
Other trade payables	11,644	10,811	10,656
Social Security creditor	2,974	2,903	2,906
Other taxes payable	3,210	3,210	3,368
Other payables	3,778	3,778	3,926
Accruals	20,941	20,902	17,056
Total current trade and other payables	47,550	47,298	44,504
Non-Current			
Other payables	0	0	0
Total non-current trade and other payables	0	0	0

Note 15.2 Early retirement details included in NHS payables above

£0 (2011/12 £0) for payments due in future years under arrangements to buy out the liability for early retirements over five instalments; and £0k outstanding pension contributions at 31 March 2013 (31 March 2012 £0k).

Note 16. Other liabilities

	Current		Non-current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	£000	£000	£000	£000
Deferred Income	1,719	2,084	0	0
	1,719	2,084	0	0

The above figures all relate to the Trust, the subsidiary has no deferred income.

Note 17 Borrowings

	Current			Non-current		
	Group 31 March 2013 £000	Trust 31 March 2013 £000	Trust 31 March 2012 £000	Group 31 March 2013 £000	Trust 31 March 2013 £000	Trust 31 March 2012 £000
Obligations under finance leases	30	0	0	66	0	0
Total	30	0	0	66	0	0

Note 18 Prudential borrowing limit

The NHS foundation trust is required to comply and remain within a prudential borrowing limit. This is made up of two elements:

1. the maximum cumulative amount of long-term borrowing. This is set by reference to the four ratio tests set out in Monitor's Prudential Borrowing Code for NHS foundation trusts; and
2. the amount of any working capital facility approved by Monitor.

The Trust has a prudential borrowing limits of £131.6m (£131.6m in 2011/12). The Trust has actually borrowed £0k in 2012/13 (£0 in 2011/12), the subsidiary has obligations under a finance lease of £96k.

The Trust has £36m of approved working capital facility (£36m in 2011/12). The Trust had drawn down £0k of its working capital facility at 31 March 2013 (£0k at 31 March 2012)

NHS foundation trusts are required to disclose their actual performance during the year against the key ratios upon which the PBL is based and explain any significant variances that may be highlighted by this disclosure. Performance is set out in the following table. All PBL ratios have been met.

Financial ratio	Actual ratios 2012/13	Approved PBL ratios 2012/13	Actual ratios 2011/12	Approved PBL ratios 2011/12
Minimum dividend cover	4.1x	>1x	4.0x	>1x
Minimum interest cover	16606x	>3x	See note *	>3x
Minimum debt service cover	16606x	>2x	See note *	>2x
Maximum debt service to revenue	0.00%	<3%	See note *	<2.5%

* The Trust had no planned interest bearing loans or finance leases.

Further information on the NHS Foundation Trust Prudential Borrowing Code and Compliance Framework can be found on the website of Monitor, the Independent Regulator of Foundation Trusts.

Note 19 Provisions

	Group	Current	Trust		Group	Non-current	Trust
	31 March 2013	Trust	31 March 2012		31 March 2013	Trust	31 March 2012
	£000	£000	£000		£000	£000	£000
Legal claims	1,248	1,231	173		0	0	0
Redundancy	9	9	36		0	0	0
Other	1,606	1,606	1,530		2,211	2,211	2,043
Total	2,863	2,846	1,739		2,211	2,211	2,043

	Legal claims	Redundancy	Other	Total
	£000		£000	£000
At 1 April 2012	173	36	3,573	3,782
Change in the discount rate	0	0	123	123
Arising during the year	1,246	9	7,487	8,742
Utilised during the year - accruals	0	0	(32)	(32)
Utilised during the year - cash	(159)	(36)	(4,947)	(5,142)
Reversed unused	(12)	0	(2,465)	(2,477)
Unwinding of discount	0	0	78	78
At 31 March 2013	1,248	9	3,817	5,074

Expected timing of cash flows:				
not later than one year	1,248	9	1,606	2,863
later than one year and not later than five years	0	0	473	473
later than five years	0	0	1,738	1,738

Other provisions relate to injury benefits (£2.3m), VAT risks and disputes.

Of the above provisions £2.5m are supported by back to back debtors with the local Primary Care Trusts.

£79,766k is included in the provisions of the NHS Litigation Authority at 31/3/2013 in respect of clinical negligence liabilities of the Trust (31/03/12 £62,850k).

	Group 2012/13 Property, plant and equipment £000	Trust 2012/13 Property, plant and equipment £000	Trust 2011/12 Property, plant and equipment £000
Note 20 Revaluation reserve			
As at 1st April	68,539	68,539	72,381
Impairments	(4,222)	(4,222)	(1,710)
Revaluations	(2)	(2)	0
Asset disposals	(392)	(392)	(2,132)
Revaluation Reserve at 31 March	63,923	63,923	68,539

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

	Group 31 March 2013 £000	Trust 31 March 2013 £000	Trust 31 March 2012 £000
Note 21 Cash and cash equivalents			
At 1 April	54,483	54,483	42,844
Net change in year	5,626	5,431	11,639
At 31 March	60,109	59,914	54,483
Comprises:			
Cash at commercial banks and in hand	417	222	426
Cash with the Government Banking Service	59,692	59,692	54,057
Cash and cash equivalents as in statement of financial position	60,109	59,914	54,483
Bank overdraft	0	0	0
Net cash and cash equivalents as in statement of financial position	60,109	59,914	54,483

Third Party Assets held by the Trust

The Trust held a minimal amount of cash and cash equivalents at 31 March 2013 (minimal value at 31 March 2012) which relates to monies held on behalf of patients.

Note 22 Contractual capital commitments

Commitments under capital expenditure contracts at 31st March 2013 were £8,739k for property, plant and equipment and £11k software. (Total at 31st March 2012 £6,740k: £6,718k property, plant and equipment and £22k software). These were all held by the Trust.

Note 23 Events after the reporting period

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

Note 24 Contingencies

There are £225k contingent liabilities relating to legal cases being taken against the Trust and £0k contingent assets at 31st March 2013. There were £74k contingent liabilities and £7k contingent assets as at 31st March 2012. These were all held by the Trust.

25 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
Brighton and Sussex University Hospital NHS Trust	12,015	62	178	20
Croydon PCT	6,855	0	0	185
Eastern & Coastal Kent Primary Care Trust	424,700	948	5,036	181
Kent & Medway NHS and Social Care Partnership Trust	2,742	713	563	2
Kent Community Health NHS Trust	3,670	2,027	852	394
Maidstone and Tunbridge Wells NHS Trust	2,043	5,799	536	698
Medway NHS Foundation Trust	229	1,976	60	300
Medway Primary Care Trust	6,484	0	43	370
NHS Blood Authority	57	2,764	0	0
NHS Litigation Authority	0	8,954	0	0
South East Coast Strategic Health Authority	1,943	3	184	0
Surrey Primary Care Trust	2,538	0	263	0
West Kent Primary Care Trust	11,763	42	768	0
Other NHS Bodies	7,024	1,992	1,671	546
Local Government bodies	925	3,019	69	14
Other government departments	119	45,814	810	9,680
Total	483,107	74,113	11,033	12,390

The Trust has also received £650k from East Kent Hospitals Charity, whose Corporate Trustee is the Trust's Board of Directors.

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 £752k revenue and incurred £1,141k expenditure with the subsidiary in the period since acquisition, as at the 31 March 2013 the Trust was owed £2,995k by the subsidiary and owed £728k. These transactions and balances have been removed on consolidation.

Note 26.1 Financial assets by category	Group		Investment in Subsidiary	Trust	
	Loans and receivables	Total		Loans and receivables	Total
Assets as per Statement of Financial Position	£000	£000	£000	£000	£000
NHS Trade and other receivables excluding non financial assets at 31 March 2013	10,176	10,176	0	9,918	9,918
Non NHS Trade and other receivables excluding non financial assets at 31 March 2013	1,818	1,818	0	4,841	4,841
Other Investments	0	0	48	0	48
Cash and cash equivalents at bank and in hand	60,109	60,109	0	59,914	59,914
Total at 31 March 2013	72,103	72,103	48	74,673	74,721
NHS Trade and other receivables excluding non financial assets at 31 March 2012			0	7,652	7,652
Non NHS Trade and other receivables excluding non financial assets at 31 March 2012			0	5,745	5,745
Cash and cash equivalents at bank and in hand			0	54,483	54,483
Total at 31 March 2012			0	67,880	67,880

Note 26.2 Financial liabilities by category	Group	Trust
	Other financial liabilities	Other financial liabilities
	£000	£000
Obligations under finance leases	96	0
NHS Trade and other payables excluding non financial liabilities at 31 March 2013	2,363	2,326
Non NHS Trade and other payables excluding non financial liabilities at 31 March 2013	39,003	38,859
Provisions under contract	0	0
Total at 31 March 2013	41,462	41,185
Obligations under finance leases		0
NHS Trade and other payables excluding non financial liabilities at 31 March 2012		4,369
Non NHS Trade and other payables excluding non financial liabilities at 31 March 2012		33,861
Provisions under contract		0
Total at 31 March 2012		38,230

Note 26.3 Fair value of Financial Assets (over 1 year)	Group	Trust
	Book Value	Book Value
	£000	£000
Investment in subsidiary	0	48
Non current trade and other receivables excluding non financial assets	2,233	3,856
Total at 31 March 2013	2,233	3,904
		Book Value
		£000
Investment in subsidiary		0
Non current trade and other receivables excluding non financial assets		3,371
Total at 31 March 2012		3,371

Fair value is considered to be book value.

Note 26.4 Fair value of Financial Liabilities (over 1 year)	Group	Trust
	Book Value	Book Value
	£000	£000
Non current trade and other payables excluding non financial liabilities	0	0
Provisions under contract	0	0
Other	66	0
Total at 31 March 2013	66	0
		Book Value
		£000
Non current trade and other payables excluding non financial liabilities		0
Provisions under contract		0
Other		0
Total at 31 March 2012		0

Fair value is considered to be book value.

Note 26.5 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 Foundation Trust has with primary care trusts and the way those primary care trusts are financed, the Foundation 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 Foundation 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 Foundation 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 2013 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, significant 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 2013 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 Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from internally-generated resources. In addition the Trust has a working capital facility agreed by Monitor of £36m. The Trust is not, therefore, exposed to significant liquidity risks.

Note 27 Losses and Special Payments

There were 231 cases of losses and special payments in 2012/13 totalling £3,441k (2011/12 235 cases, £476k total). These amounts are reported on an accruals basis but exclude provisions for future losses.

Included in losses above is a £3.3m write off of amounts owed under a deferred share purchase agreement, these were provided against in previous financial years. The balance was written off in return for the Trust acquiring the subsidiary with nil cash transferring.

Note 28 Corporation tax

	Group 2012/13 £000	Trust 2012/13 £000	Trust 2011/12 £000
UK corporation tax expense	0	0	0
Deferred tax expense	0	0	0
Total income tax expense in Statement of Comprehensive Income	<u>0</u>	<u>0</u>	<u>0</u>
Effective tax charge percentage	0%	0%	0%