

**CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED
31 MARCH 2014**



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 Hospitals University NHS Foundation Trust for the year ended 31 March 2014 on pages 1 to 39. These financial statements have been prepared under applicable law and the NHS Foundation Trust Annual Reporting Manual 2013/14.

This report is made solely to the Council of Governors of East Kent Hospitals University 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 Council of Governors of the Trust, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Governors of the Trust, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the accounting officer and the auditor

As described more fully in the Statement of Accounting Officer's Responsibilities on page 45 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 the Group's and the Trust's affairs as at 31 March 2014 and of the Group's and the Trust's income and expenditure for the year then ended; and
- ☐ have been prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2013/14.

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

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

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 2013/14, 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 Hospitals University NHS Foundation Trust in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by Monitor.

Philip Johnstone for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
23 May 2014

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FOREWORD TO THE ACCOUNTS

EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST

These accounts, for the 12 months ended 31 March 2014, 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: 22 May 2014

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2014

	NOTE	Group 2013/14 £000	Trust 2013/14 £000	Restated Group 2012/13 £000	Trust 2012/13 £000
Operating Income from continuing operations	2.1	525,845	521,480	501,374	500,120
Operating Expenses of continuing operations	3.1	(511,903)	(507,503)	(489,805)	(488,274)
Operating surplus		13,942	13,977	11,569	11,846
Finance costs:					
Finance income	6	307	258	538	425
Finance costs	7.1	(4)	0	(2)	0
Finance expense - unwinding of discounts on provisions	19	(72)	(72)	(78)	(78)
Public dividend capital dividends payable		(8,291)	(8,291)	(8,164)	(8,164)
Net Finance costs		(8,060)	(8,105)	(7,706)	(7,817)
Movement in fair value of investment property	10.1	94	0	62	0
Corporation tax expense	29	(40)	0	0	0
Surplus from continuing operations		5,936	5,872	3,925	4,029
Surplus/(deficit) of discontinued operations and the gain/(loss) on disposal of discontinued operations		0	0	0	0
Surplus for the year		5,936	5,872	3,925	4,029
Other comprehensive income					
(Impairments)/Reversal of impairments	20	8,220	8,220	(4,222)	(4,222)
Revaluations	20	5,377	5,138	(2)	(2)
Fair Value gains/(losses) on available-for-sale financial investments	10.1	80	0	310	0
Total comprehensive income/(expense) for the year		19,613	19,230	11	(195)

The notes on pages 5 to 39 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

		Group 31 March 2014	Trust 31 March 2014	Restated Group 31 March 2013	Trust 31 March 2013	Restated Group 1 April 2012	Trust 1 April 2012
	NOTE	£000	£000	£000	£000	£000	£000
Non-current assets							
Intangible assets	8	2,031	2,031	2,164	2,164	1,921	1,921
Property, plant and equipment	9	294,115	291,147	264,588	261,717	265,267	265,267
Investment property	10.1	787	0	693	0	631	0
Other investments	10.1	2,923	48	2,940	48	2,644	0
Trade and other receivables	14.1	2,357	3,884	4,585	6,198	6,041	6,031
Total non-current assets		302,213	297,110	274,970	270,127	276,504	273,219
Current assets							
Inventories	13.1	7,695	7,695	7,191	7,191	8,081	8,081
Trade and other receivables	14.1	39,285	40,580	14,816	15,862	13,718	13,802
Non current assets for sale and assets in disposal groups	12	0	0	0	0	0	0
Cash and cash equivalents	22	44,704	43,980	61,028	59,914	55,623	54,483
Total current assets		91,684	92,255	83,035	82,967	77,422	76,366
Total assets		393,897	389,365	358,005	353,094	353,926	349,585
Current liabilities							
Trade and other payables	15.1	(59,941)	(60,396)	(47,557)	(47,298)	(44,512)	(44,504)
Borrowings	17	(30)	0	(30)	0	0	0
Provisions	19	(2,886)	(2,886)	(2,863)	(2,846)	(1,739)	(1,739)
Other current liabilities	16	(5,182)	(5,182)	(1,719)	(1,719)	(2,084)	(2,084)
Total current liabilities		(68,039)	(68,464)	(52,169)	(51,863)	(48,335)	(48,327)
Total assets less current liabilities		325,858	320,901	305,836	301,231	305,591	301,258
Non-current liabilities							
Trade and other payables	15.1	0	0	0	0	0	0
Borrowings	17	(35)	0	(66)	0	0	0
Provisions	19	(2,463)	(2,463)	(2,211)	(2,211)	(2,043)	(2,043)
Total non-current liabilities		(2,498)	(2,463)	(2,277)	(2,211)	(2,043)	(2,043)
Total assets employed		323,360	318,438	303,559	299,020	303,548	299,215
Financed by (taxpayers' equity):							
Public dividend capital		189,713	189,713	189,525	189,525	189,525	189,525
Revaluation reserve	20	77,306	77,067	63,923	63,923	68,539	68,539
Income and expenditure reserve		52,027	51,658	45,558	45,572	41,151	41,151
Charitable fund reserves	21	4,314	0	4,553	0	4,333	0
Total Taxpayers' Equity		323,360	318,438	303,559	299,020	303,548	299,215

The financial statements on pages 5 to 39 were approved by the Board of Directors on 22nd 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	NHS Charitable Funds Reserves £000	Total £000
Taxpayers equity at 1 April 2013	189,525	63,923	45,558	4,553	303,559
Surplus/(deficit) for the year	0	0	5,467	469	5,936
Impairments	0	8,220	0	0	8,220
Revaluations	0	5,377	0	0	5,377
Fair value gains/(losses) on available for sale financial investments	0	0	0	80	80
Asset disposals	0	(214)	214	0	0
Public Dividend Capital received	188	0	0	0	188
Other reserve movements - charitable funds consolidation adjustment	0	0	788	(788)	0
Taxpayers equity at 31 March 2014	189,713	77,306	52,027	4,314	323,360

Trust

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

Group - Restated

	Public dividend capital (PDC) £000	Revaluation reserve £000	Income and Expenditure Reserve £000	NHS Charitable Funds Reserves £000	Total £000
Taxpayers equity at 1 April 2012	189,525	68,539	41,151	0	299,215
Prior period adjustment	0	0	0	4,333	4,333
Taxpayers equity at 1 April 2012 - Restated	189,525	68,539	41,151	4,333	303,548
Surplus/(deficit) for the year	0	0	3,365	560	3,925
Impairments	0	(4,222)	0	0	(4,222)
Revaluations	0	(2)	0	0	(2)
Fair value gains/(losses) on available for sale financial investments	0	0	0	310	310
Asset disposals	0	(392)	392	0	0
Other reserve movements - charitable funds consolidation adjustment	0	0	650	(650)	0
Taxpayers equity at 31 March 2013	189,525	63,923	45,558	4,553	303,559

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
Taxpayers equity at 31 March 2013	189,525	63,923	45,572	299,020

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2014

	NOTE	Group 2013/14 £000	Trust 2013/14 £000	Restated Group 2012/13 £000	Trust 2012/13 £000
Cash flows from operating activities					
Operating surplus/(deficit) from continuing operations		13,942	13,977	11,569	11,846
Operating surplus/(deficit) of discontinued operations		0	0	0	0
Operating surplus/(deficit)		13,942	13,977	11,569	11,846
Non-cash income and expense:					
Depreciation and amortisation	3.1	16,621	16,470	16,207	16,145
Impairments	3.1	0	0	4,896	4,896
Reversals of impairments		(1,563)	(1,563)	(74)	(74)
(Gain)/loss on disposal		112	112	288	288
Interest accrued and not paid*		0	0	66	96
Dividends accrued and not received*		0	0	233	233
(Increase)/decrease in Trade and Other Receivables		(22,426)	(22,538)	1,626	(2,416)
(Increase)/decrease in Inventories		(504)	(504)	890	890
Increase/(decrease) in Trade and Other Payables		8,373	9,128	400	4,310
Increase/(decrease) in Other current Liabilities		3,463	3,463	(365)	(365)
Increase/(decrease) in Provisions		203	220	1,214	1,197
NHS Charitable funds - net adjustments for working capital movements, non-cash transactions and non-operating cash flows		80	0	(37)	0
Other movements in operating cash flows		0	0	(104)	0
Net cash generated from/(used in) operations		18,301	18,765	36,809	37,046
Cash flows from investing activities:					
Interest received		182	230	333	336
Purchase of intangible assets		(441)	(441)	(474)	(474)
Purchase of Property, Plant and Equipment		(26,556)	(26,509)	(23,214)	(23,214)
Sales of Property, Plant and Equipment		0	0	0	0
Cash from acquisition of subsidiary		0	0	77	0
NHS Charitable funds - net cash flows from investing activities		199	0	139	0
Net cash generated from/(used in) investing activities		(26,616)	(26,720)	(23,139)	(23,352)
Cash flows from financing activities:					
Interest element of finance leases		(4)	0	(2)	0
Capital element of finance leases		(26)	0	0	0
Public Dividend Capital received		188	188	0	0
PDC Dividend Paid		(8,167)	(8,167)	(8,263)	(8,263)
Net cash generated from/(used in) financing activities		(8,009)	(7,979)	(8,265)	(8,263)
Increase/(decrease) in cash and cash equivalents		(16,324)	(15,934)	5,405	5,431
Cash and cash equivalents at start of period		61,028	59,914	55,623	54,483
Cash and cash equivalents at end of period		44,704	43,980	61,028	59,914

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

NOTES TO THE ACCOUNTS

1. Accounting policies and other information

Monitor has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the NHS Foundation Trust Annual Reporting Manual (ARM) which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the FT ARM 2013/14 issued by Monitor. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) and HM Treasury's Financial Reporting Manual (FReM) to the extent that they are meaningful and appropriate to NHS foundation trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

Accounting convention

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

1.1 Consolidation

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

On 3 December 2012, the Trust acquired a subsidiary company, purchasing 100% of the share capital of Healthex Limited, which is also the parent company of East Kent Medical Services Limited. The subsidiary provides the operation and management of a private hospital. The results of the subsidiary have been consolidated in full for 2013/14 and were consolidated from the date of acquisition for the prior year. The assets and liabilities of the subsidiary have been included in the consolidated Statement of Financial Position. Accounting policies have been aligned and inter company balances have been eliminated.

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

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

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

1.2 Income

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

1.3 Expenditure on employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

Pension costs

NHS Pension Scheme

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

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

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

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

Redundancy costs

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

1.4 Expenditure on other goods and services

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

1.5 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
 - it is probable that future economic benefits will flow to, or service potential be provided to, the trust;
 - it is expected to be used for more than one financial year; and
 - the cost of the item can be measured reliably.
- individual assets have a cost of at least £5,000 or form a group of assets which individually have a cost of more than £250, collectively have a cost of at least £5,000, are functionally interdependent, have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.

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

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

Measurement

Valuation

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

All property is revalued using professional valuations every five years, with an interim valuation every 3 years. Where assets are subject to significant volatility, then annual revaluation may be required. An interim desktop valuation was 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.

In the years between those in which a revaluation is undertaken the Trust takes advice from Boshier and Company, an independent firm of RICS qualified valuers, as to the movements in land and property values to determine whether indexation is required. In 2013/14 this advice demonstrated if indexation were not applied values would be materially understated. The Trust therefore applied the Building Cost Information Services (BCIS) indices to buildings as at the 31st March 2014, this resulted in a 9.17% uplift. Due to the lack of suitable indices for land the opinion of the valuer was sought, who advised there had been a 5% uplift which has been applied.

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 2014 for substantial works completed in the financial year 2013/14. For non-specialised operational property the basis of valuation is existing use value. Specialised operational property is valued at depreciated replacement cost, based on a modern equivalent asset. For non-operational properties including surplus land, the valuations are carried out at market value. Assets in the course of construction are valued at cost and are valued by professional valuers as part of the five or three-yearly valuation or when they are brought into use.

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

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

Subsequent expenditure

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

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

Depreciation

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

Revaluation gains and losses

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

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

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

Impairments

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

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

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

De-recognition

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

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

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

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

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

Donated, government grant and other grant funded assets

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

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

1.6 Intangible assets

Recognition

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

Internally generated intangible assets

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

Expenditure on research is not capitalised.

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

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

Software

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

Measurement

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

Amortisation

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

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

	Life
	Years
Software	5

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

1.7 Inventories

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

1.8 Financial instruments and financial liabilities

Recognition

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

De-recognition

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

Classification and measurement

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

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

Investment in the subsidiary, Healthex Limited

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

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

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

Loans and receivables

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

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

Available-for-sale financial assets

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

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

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

Financial Liabilities

Other financial liabilities

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

Impairment of financial assets

At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at "fair value through income and expenditure" are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset. For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced – directly or where available through the use of a bad debt provision.

1.9 Leases

Finance leases

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

Operating leases

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

Leases of land and buildings

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

1.10 Provisions

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

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 19 but is not recognised in the Trust's accounts.

Non-clinical risk pooling

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

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

1.11 Contingencies

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

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

1.12 Public dividend capital

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

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

1.13 Value Added Tax

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

1.14 Corporation Tax

The Trust does not have a corporation tax liability for the year 2013/14. Tax may be payable on activities as described below:

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

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

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

1.15 Foreign exchange

The functional and presentational currencies of the Trust are sterling.

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

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

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

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

1.16 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's FReM.

1.17 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

However the losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

1.18 Accounting Estimates and Judgements

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

Value of land, buildings and dwellings, excluding the subsidiary, £242m (2012/13 £220m): 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 2014 is £2.7m, this is compared to £2.6m at 31st March 2013. The valuation as at 31st March 2014 has been agreed with commissioners. Partially completed spells were calculated as at the 17th March as a proxy for the 31st, due to time constraints. It is not expected that there would be a significant variance between the two positions.

Maternity Pathway Adjustment: The Trust receives a full pathway payment for all expectant mothers who started their antenatal care during 2013/14 irrespective of the expected date of delivery. Deferred income has been calculated based on the estimated gestation period remaining for those mothers yet to deliver as at 31st March 2014 and assuming all pregnancies last for a duration of 40 weeks. Using this methodology the value of income deferred to future periods is £2.5m which has been agreed with Commissioners. The valuation was based on 28th February as a proxy for 31st March 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 £0.1m is included in 2013/14 operating expenditure for outstanding charges from these organisations, based on referral data held in the Trust's Patient Administration System at 31st March 2014 (2012/13 £0.8m).

Untaken annual leave: no salary costs have been included at year-end for annual leave earned but not taken by employees at 31st March 2014 as the Annual Leave policy was amended in 2013/14 to state that employees are no longer allowed to carry forward leave (2012/13 £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 Accounting Standards that have been issued but have not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2013/14. The application of the Standards as revised would not have a material impact on the accounts for 2013/14, were they applied in that year:

IAS 27 Separate Financial Statements - subject to consultation

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

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

IFRS 10 Consolidated Financial Statements - subject to consultation

IFRS 11 Joint Arrangements - subject to consultation

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

IFRS 13 Fair Value Measurement - subject to consultation

IPSAS 32 - Service Concession Arrangement - subject to consultation

1.20 Segmental Reporting

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

1.21 Prior Period Adjustment

This year, the East Kent Hospitals Charity has been consolidated into the Group financial statements in accordance with IAS 27. Until April 2013, the Treasury had directed that IAS 27 should not be applied to NHS charities. However, that direction has now been removed and IAS 27 requires that consolidated accounts are prepared. This has resulted in a prior period adjustment. The impact of the adjustment on the 2012/13 group accounts is summarised in note 30 to these accounts.

Note 2.1 Operating Income (by classification)

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

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

	Group	Trust	Restated Group	Trust
	2013/14	2013/14	2012/13	2012/13
Income from Activities				
	£000	£000	£000	£000
Elective income	100,467	97,776	92,221	91,910
Non elective income	131,031	131,031	134,762	134,762
Outpatient income	78,083	76,633	87,054	86,216
A&E income	19,866	19,866	19,265	19,265
Other NHS clinical income	149,821	149,810	126,814	126,814
Private patient income	3,270	661	1,511	677
Other non-protected clinical income	1,939	1,940	2,200	2,200
Total income from activities	484,477	477,717	463,827	461,844
Other Operating Income				
Total analysed in note 2.4	41,368	43,763	37,547	38,276
TOTAL OPERATING INCOME	525,845	521,480	501,374	500,120

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	Group	Trust
	2013/14	2013/14	2012/13	2012/13
	£000	£000	£000	£000
Rents recognised as income in the period	269	269	186	183
Future minimum lease payments due to the Trust on other leases expiring				
- not later than one year	223	223	185	185
- later than one year and not later than five years	0	0	0	0
- later than five years	0	0	0	0
TOTAL	223	223	185	185

			Restated	
Note 2.4 Operating Income (by type)	Group	Trust	Group	Trust
	2013/14	2013/14	2012/13	2012/13
	£000	£000	£000	£000
Income from activities				
NHS Foundation Trusts	342	342	79	79
NHS Trusts	2,516	2,516	2,736	2,736
Strategic Health Authorities	0	0	481	481
CCGs and NHS England	475,640	471,489	0	0
Primary Care Trusts	0	0	456,820	455,671
Local Authorities	118	118	0	0
NHS Other	630	630	0	0
Non-NHS: Private patients	3,270	661	1,511	677
Non NHS: Overseas patients (non-reciprocal)	74	74	67	67
NHS Injury scheme (was RTA)	1,760	1,760	1,992	1,992
Non NHS: Other	127	127	141	141
Total income from activities	484,477	477,717	463,827	461,844
Other Operating Income				
Research and development	1,768	1,768	1,839	1,839
Education and training	13,113	13,113	12,360	12,360
Receipt of donations for capital acquisitions from NHS charities	0	327	0	261
Charitable contributions to expenditure from NHS charities	0	461	0	389
Receipt of donations for capital acquisitions from other bodies	164	164	102	102
Other charitable contributions to expenditure from other bodies	297	297	271	271
Non-patient care services to other bodies	10,472	12,339	9,882	10,586
Profit on disposal of land and buildings	0	0	0	0
Reversal of impairments of property, plant and equipment	1,563	1,563	74	74
Income in respect of staff costs	7,365	7,365	6,199	6,199
Rental revenue from operating leases	269	269	186	183
NHS Charitable funds: Incoming resources excluding investment income	315	0	539	0
Other	6,042	6,097	6,095	6,012
Total other operating income	41,368	43,763	37,547	38,276
TOTAL OPERATING INCOME	525,845	521,480	501,374	500,120
Analysis of Other Operating Income: Other				
Car parking	2,662	2,662	2,760	2,760
Estates recharges	219	255	307	319
Staff accommodation rentals	2,026	2,026	2,074	2,074
Creche services	0	0	144	144
Property rentals	9	9	5	5
Other	1,126	1,145	805	710
Total other operating income	6,042	6,097	6,095	6,012

Note: Injury scheme income is subject to a 15.8% provision for impairment of receivables to reflect expected rates of collection (12.6%, 2012/13).

2.5 Income from Commissioner Requested Services and all other services

	Group	Trust	Group	Trust
	2013/14	2013/14	2012/13	2012/13
	£000	£000	£000	£000
Commissioner Requested Services	475,620	471,469	454,744	453,595
Non-Commissioner Requested Services	50,225	50,011	46,630	46,525
Total	525,845	521,480	501,374	500,120

The Trust is working with its commissioners to determine the level of Commissioner Requested Services currently provided. Within the 2013-14 financial statements management has taken the view to define any service that is identified in a signed contract with any NHS commissioner as commissioner requested.

Note 3.1 Operating Expenses (by type)	Group 2013/14 £000	Trust 2013/14 £000	Restated Group 2012/13 £000	Restated Trust 2012/13 £000
Services from NHS Foundation Trusts	582	582	519	519
Services from NHS Trusts	450	450	411	411
Services from CCGs and NHS England	53	53	0	0
Purchase of healthcare from non NHS bodies	3,211	6,475	3,743	4,689
Employee Expenses - Executive Directors	1,015	1,015	984	984
Employee Expenses - Non Executive Directors	133	133	136	136
Employee Expenses - Staff	303,775	300,513	292,707	290,928
NHS Charitable funds - employee expenses	0	0	64	0
Drug costs - non inventory drugs	13,090	13,060	12,224	12,138
Drug inventories consumed	35,469	35,469	29,328	29,328
Supplies and services - clinical (excluding drug costs)	71,582	68,123	63,043	63,020
Supplies and services - general	17,736	17,507	17,506	17,500
Establishment**	3,462	3,433	3,276	3,216
Transport**	2,864	2,820	3,120	3,111
Premises	17,257	17,235	18,948	18,871
Increase/(decrease) in bad debt provision	953	933	679	605
Increase in other provisions	688	688	0	0
Change in discount rate	168	168	0	0
Inventories write down	388	388	257	257
Rentals under operating leases - minimum lease payments	1,682	1,682	1,819	1,813
Depreciation on property, plant and equipment	16,116	15,965	15,856	15,794
Amortisation on intangible assets	505	505	351	351
Impairments of property, plant and equipment	0	0	4,896	4,896
Audit fees				
audit services - statutory audit*	110	110	107	107
Other auditors remuneration	278	278	11	11
charitable fund accounts	7	0	7	0
Clinical negligence	9,751	9,751	8,701	8,701
Loss on disposal of intangible fixed assets	56	56	0	0
Loss on disposal of other property, plant and equipment	56	56	288	288
Legal fees	216	194	325	304
Consultancy costs	955	910	688	688
Training, courses and conferences	1,307	1,286	1,218	1,208
Patient travel	860	859	1,142	1,142
Car parking and security	349	345	79	79
Redundancy	0	0	9	9
Hospitality	137	119	97	97
Publishing	85	0	0	0
Insurance	427	355	372	345
Other services e.g. external payroll	3,508	3,508	3,828	3,822
Losses, ex gratia and special payments	58	58	30	30
NHS Charitable funds: Other resources expended	59	0	109	0
Other	2,505	2,421	2,927	2,876
Total Operating Expenses	511,903	507,503	489,805	488,274

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

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

	Group	Trust	Group	Trust
	2013/14	2013/14	2012/13	2012/13
	£000	£000	£000	£000
Note 3.2 Arrangements containing an operating lease				
Minimum lease payments - Land	35	35	0	0
Minimum lease payments - Buildings	610	610	13	13
Minimum lease payments - Plant and Machinery	380	380	863	863
Minimum lease payments - Other	657	657	943	937
TOTAL	1,682	1,682	1,819	1,813

	Group	Trust	Group	Trust
	2013/14	2013/14	2012/13	2012/13
	£000	£000	£000	£000
Note 3.3 Arrangements containing an operating lease				
Future minimum lease payment due:				
On land leases expiring:				
Not later than one year	9	9	0	0
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
Total	9	9	0	0
On buildings leases expiring:				
Not later than one year	0	0	0	0
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
Total	0	0	0	0
On plant and machinery leases expiring:				
Not later than one year	278	278	676	676
Later than one year and not later than five years	149	149	417	417
Later than five years	0	0	0	0
Total	427	427	1,093	1,093
On other leases expiring:				
Not later than one year	422	422	578	572
Later than one year and not later than five years	299	299	438	420
Later than five years	0	0	0	0
Total	721	721	1,016	992

	Group	Trust	Group	Trust
	2013/14	2013/14	2012/13	2012/13
	£000	£000	£000	£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	0
Compensation paid to cover debt recovery costs under this legislation	0	0	0	0

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

No land or buildings used in the provision of Commissioner Requested Services were disposed of in 2013/14 or 2012/13.

	Group	Trust	Restated Group	Restated Trust
	2013/14	2013/14	2012/13	2012/13
	£000	£000	£000	£000
Note 3.6 Auditor remuneration (excluding statutory audit)				
All other taxation advisory services	0	0	2	2
All other non-audit services	278	278	9	9
Total	278	278	11	11

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 2013/14 results and the comparatives for 2012/13. Neither Healthex Limited nor the Charity meets the definition of an operating segment and are therefore excluded from the Segmental Report.

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

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

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

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

Year ended 31 March 2014

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

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

Note 5.1 Employee Expenses (including executive directors)	Group 2013/14			Trust 2013/14			Group 2012/13			Trust 2012/13		
	Total	Permanently Employed	Other	Total	Permanently Employed	Other	Total	Permanently Employed	Other	Total	Permanently Employed	Other
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Salaries and wages	235,509	235,509	0	233,356	233,356	0	231,372	231,372	0	230,645	230,645	0
Social security Costs	18,612	18,612	0	18,415	18,415	0	18,343	18,343	0	18,284	18,284	0
Pension costs - defined contribution plans: Employer contributions to NHS Pensions	28,350	28,350	0	28,350	28,350	0	27,291	27,291	0	27,291	27,291	0
Pension costs - other contributions	33	33	0	9	9	0	9	9	0	0	0	0
Other employment benefits	23	23	0	0	0	0	1	1	0	0	0	0
Termination benefits	31	31	0	0	0	0	0	0	0	0	0	0
Agency/contract staff	22,557	0	22,557	21,723	0	21,723	16,951	860	16,091	15,968	0	15,968
Charitable funds staff	0	0	0	0	0	0	64	64	0	0	0	0
Total	305,115	282,558	22,557	301,853	280,130	21,723	294,031	277,940	16,091	292,188	276,220	15,968
Costs capitalised as part of assets	325	325	0	325	325	0	276	276	0	276	276	0
Note 5.2 Average number of employees (wte basis)												
	Group 2013/14			Trust 2013/14			Group - Restated 2012/13			Trust - Restated 2012/13		
	Total	Permanent	Other	Total	Permanent	Other	Total	Permanent	Other	Total	Permanent	Other
	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number
Medical and dental	928	928	0	928	928	0	910	910	0	910	910	0
Administration and estates	1,440	1,440	0	1,409	1,409	0	1,443	1,443	0	1,413	1,413	0
Healthcare assistants and other support staff	1,013	1,013	0	997	997	0	1,069	1,069	0	1,069	1,069	0
Nursing, midwifery and health visiting staff	2,075	2,075	0	2,048	2,048	0	2,091	2,091	0	2,043	2,043	0
Nursing, midwifery and health visiting learners	9	9	0	9	9	0	11	11	0	11	11	0
Scientific, therapeutic and technical staff	1,303	1,303	0	1,303	1,303	0	1,298	1,298	0	1,298	1,298	0
Agency and contract staff	169	0	169	169	0	169	91	91	91	0	0	91
Bank staff	194	0	194	194	0	194	291	0	291	240	0	240
Total	7,131	6,768	363	7,057	6,694	363	7,204	6,822	382	7,075	6,744	331
Number of staff employed on capital projects	6	6	0	6	6	0	5	5	0	5	5	0

Note 5.3 Employee benefits

There were no employee benefits paid by the Trust in 2013/14 (nil 2012/13), the subsidiary paid £23k for employee benefits (£1k 2012/13).

Note 5.4 Exit Packages

The Trust agreed no compulsory redundancies in 2013/14 (2012/13, 1 at a cost of £9k). The subsidiary reached a compromise agreement with a member of staff at a cost of £31k.

Note 5.5 Retirements due to ill-health

During 2013/14 there were 16 (2012/13, 22) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £1,361k (2012/13, £1,277k). 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 nil gains made by the non-executive and executive directors in post during 2013/14 on the exercise of share options (2012/13, nil), nil long term incentive scheme payments (2012/13, nil), nil contributions to non-NHS pension schemes (2012/13, nil) and nil added contribution to the NHS pension scheme (2012/13, nil), nil advances or credits to directors (2012/13, nil), and nil guarantees by the Trust on behalf of a director (2012/13, nil).

Total remuneration paid to directors for the year ended 31/03/2014 (in their capacity as directors) totalled £1,060k (2012/13 £1,028k). No other remuneration was paid to Directors in their capacity as directors. There were nil advances or guarantees entered into on behalf of directors by the Trust. Employer contributions to the NHS Pension Scheme for Executive Directors for the year ended 31/03/2014 totalled £89k (2012/13 £92k). The total number of directors to whom benefits are accruing under the NHS defined benefit scheme (the NHS Pension Scheme) was 6 (2012/13 6).

5.8 Pension costs

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

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2014, is based on valuation data as 31 March 2013, updated to 31 March 2014 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

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

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

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

c) Scheme provisions

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

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

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

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) has been used and replaced the Retail Prices Index (RPI).

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

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

Note 6. Finance income	Group 2013/14 £000	Trust 2013/14 £000	Restated Group 2012/13 £000	Trust 2012/13 £000
Interest on loans and receivables	0	78	56	83
Interest on bank accounts	181	180	343	342
NHS Charitable funds: investment income	126	0	139	0
Total	307	258	538	425

Note 7.1 Finance Costs - Interest Expense	Group 2013/14 £000	Trust 2013/14 £000	Group 2012/13 £000	Trust 2012/13 £000
Finance leases	4	0	2	0
Total	4	0	2	0

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

	Group 2013/14 £000	Trust 2013/14 £000	Group 2012/13 £000	Trust 2012/13 £000
Changes in market price	0	0	4,896	4,896
Reversal of impairments	(1,563)	(1,563)	(74)	(74)
Total	(1,563)	(1,563)	4,822	4,822

Note 8 Intangible assets

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

2012/13	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>

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

Note 9 Property, plant and equipment 2013/14
9.1 Group tangible fixed assets as at 31 March 2014 comprise the following elements: -

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

Note 9.2 NBV of Group property, plant and equipment in the Revaluation Reserve as at 31 March 2014

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

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

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

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

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

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

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

Note 9.4 NBV of Trust property, plant and equipment in the Revaluation Reserve as at 31 March 2014

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

9.5 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

Note 9.6 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

9.7 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

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 9.8 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

Note 10.1 Investments

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

	NHS Charitable funds Investment property £000	Group - Restated NHS Charitable funds Other investments £000	Total £000	Trust Investment in Subsidiary £000
Carrying value at 1 April 2012	631	2,644	3,275	0
Acquisitions in year	0	0	0	48
Movement in fair value (revaluation or impairment)	62	0	62	0
Movement in fair value of available-for-sale financial assets recognised in Other Comprehensive Income	0	310	310	0
Disposals	0	(14)	(14)	0
Carrying value at 31 March 2013	693	2,940	3,633	48

Note 10.2 Investment Property Expenses

	Group 2013/14 £000	Trust 2013/14 £000	Restated Group 2012/13 £000	Trust 2012/13 £000
Direct operating expenses arising from Investment Property which generated rental income in the period	11	0	6	0
Direct operating expenses arising from Investment Property which did not generate rental income in the period	0	0	0	0
Total	11	0	6	0

Note 10.3 Investment Property Income

	Group 2013/14 £000	Trust 2013/14 £000	Restated Group 2012/13 £000	Trust 2012/13 £000
Investment Property income	25	0	26	0

Note 11 Finance Lease Obligations

	Group 31 March 2014 £000	Trust 31 March 2014 £000	Group 31 March 2013 £000	Trust 31 March 2013 £000
Liabilities are due not later than one year	30	0	30	0
Liabilities are due later than one year and not later than five years	35	0	66	0
Total	65	0	96	0

Note 12 Non-current assets held for sale and assets in disposal groups 2013/14

There were no non-current assets held for sale at 31st March 2014 (nil at 31st March 2013).

Note 13.1 Inventories

	Group 31 March 2014 £000	Trust 31 March 2014 £000	Group 31 March 2013 £000	Trust 31 March 2013 £000	Group 1 April 2012 £000	Trust 1 April 2012 £000
Drugs	3,875	3,875	3,059	3,059	2,980	2,980
Energy	387	387	461	461	374	374
Other	3,433	3,433	3,671	3,671	4,727	4,727
Total Inventories	7,695	7,695	7,191	7,191	8,081	8,081

Note 13.2 Inventories recognised in expenses

	Group 2013/14 £000	Trust 2013/14 £000	Group 2012/13 £000	Trust 2012/13 £000
Inventories recognised in expenses	43,449	43,449	41,546	41,546
Write down of inventories recognised as an expense	388	388	257	257
Total Inventories recognised in expenses	43,837	43,837	41,803	41,803

Note 14.1 Trade receivables and other receivables

	Group 31 March 2014 Total £000	Trust 31 March 2014 Total £000	Restated Group 31 March 2013 Total £000	Trust 31 March 2013 Total £000	Restated Group 1 April 2012 Total £000	Trust 1 April 2012 Total £000
Current						
NHS receivables - revenue	30,204	29,706	5,887	5,629	4,370	4,370
Receivables due from NHS charities - revenue	0	48	0	37	0	25
Receivables due from NHS charities - capital	0	12	0	50	0	94
Other receivables with related parties - revenue	0	1,909	0	1,285	0	0
Provision for the impaired receivables	(2,051)	(1,732)	(1,455)	(1,104)	(526)	(526)
Prepayments	1,641	1,570	2,265	2,167	1,453	1,453
Accrued income	2,715	2,715	2,635	2,635	1,378	1,378
Interest receivable	8	124	9	96	281	281
PDC receivable	109	109	233	233	134	134
VAT receivable	1,711	1,711	810	810	832	832
Other receivables	4,922	4,408	4,347	4,024	5,761	5,761
NHS Charitable funds: Trade and other receivables	26	0	85	0	35	0
Total current trade and other receivables	39,285	40,580	14,816	15,862	13,718	13,802
Non-Current						
NHS receivables - Revenue	0	0	2,211	2,211	2,043	2,043
Other receivables with related parties - revenue	0	1,542	0	1,623	0	0
Provision for the impaired receivables	(421)	(421)	(260)	(260)	(3,533)	(3,533)
Prepayments	167	164	197	197	247	247
Other receivables	2,599	2,599	2,427	2,427	7,274	7,274
NHS Charitable funds: Trade and other receivables	12	0	10	0	10	0
Total non-current trade and other receivables	2,357	3,884	4,585	6,198	6,041	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 31 March 2014 £000	Trust 31 March 2014 £000	Group 31 March 2013 £000	Trust 31 March 2013 £000
At start of period	1,715	1,364	4,059	4,059
Provision held by subsidiary at acquisition	0	0	277	0
Increase in provision	1,031	1,011	679	605
Amounts utilised	(196)	(144)	(3,300)	(3,300)
Unused amounts reversed	(78)	(78)	0	0
At end of period	2,472	2,153	1,715	1,364

Note 14.3 Analysis of impaired receivables

	Trade Receivables				Other Receivables			
	Group 31 March 2014 £000	Trust 31 March 2014 £000	Group 31 March 2013 £000	Trust 31 March 2013 £000	Group 31 March 2014 £000	Trust 31 March 2014 £000	Group 31 March 2013 £000	Trust 31 March 2013 £000
Ageing of impaired receivables								
0 - 30 days	110	105	119	89	1	1	10	10
30-60 Days	76	32	25	25	6	6	18	18
60-90 days	238	238	22	22	13	13	11	11
90- 180 days	154	102	289	289	69	69	52	52
over 180 days	833	615	452	131	972	972	717	717
Total	1,411	1,092	907	556	1,061	1,061	808	808

	Trade Receivables				Other Receivables			
	Group 31 March 2014 £000	Trust 31 March 2014 £000	Group 31 March 2013 £000	Trust - Restated 31 March 2013 £000	Group 31 March 2014 £000	Trust 31 March 2014 £000	Group 31 March 2013 £000	Trust Restated 31 March 2013 £000
Ageing of non-impaired receivables past their due date								
0 - 30 days	787	241	1,421	1,668	431	428	338	338
30-60 Days	2,356	2,401	363	526	163	163	77	77
60-90 days	3,666	3,704	76	312	78	75	36	36
90- 180 days	3,234	3,787	172	365	260	256	118	51
over 180 days	264	873	32	120	215	210	190	70
Total	10,307	11,006	2,064	2,991	1,147	1,132	759	572

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	Restated	Trust	Restated	Trust
	31 March 2014	31 March 2014	Group	31 March 2013	Group	1 April 2012
	Total	Total	31 March 2013	31 March 2013	1 April 2012	1 April 2012
	£000	£000	Total	Total	Total	Total
	£000	£000	£000	£000	£000	£000
Current						
NHS payables	5,174	5,173	1,518	1,481	1,591	1,591
Amounts due to other related parties - revenue	0	1,738	0	728	0	0
Trade payables - capital	7,457	7,457	3,485	3,485	5,001	5,001
Other trade payables	17,545	17,342	11,644	10,811	10,656	10,656
Social security creditor	2,970	2,916	2,974	2,903	2,906	2,906
Other taxes payable	3,158	3,118	3,210	3,210	3,368	3,368
Other payables	4,969	4,112	3,778	3,778	3,926	3,926
Accruals	18,662	18,540	20,941	20,902	17,056	17,056
NHS Charitable funds: Trade and other payables	6	0	7	0	8	0
Total current trade and other payables	59,941	60,396	47,557	47,298	44,512	44,504
Non-Current						
Other payables	0	0	0	0	0	0
Total non-current trade and other payables	0	0	0	0	0	0

Note 15.2 Early retirement details included in NHS payables above

There are no payments due in future years under arrangements to buy out the liability for early retirements over five instalments included in the above figures for 2012/13 or 2013/14 and no outstanding pension contributions for early retirements for either year.

Note 16. Other liabilities

	Current		
	31 March 2014	31 March 2013	1 April 2012
	£000	£000	£000
Deferred income - goods and services	5,182	1,719	2,084
	5,182	1,719	2,084

The above figures all relate to the Trust, the subsidiaries have no deferred income.

Note 17 Borrowings

	Current				Non-current			
	Group 31 March 2014 £000	Trust 31 March 2014 £000	Group 31 March 2013 £000	Trust 31 March 2013 £000	Group 31 March 2014 £000	Trust 31 March 2014 £000	Group 31 March 2013 £000	Trust 31 March 2013 £000
Obligations under finance leases	30	0	30	0	35	0	66	0
Total	30	0	30	0	35	0	66	0

Neither the Trust nor the Group had any borrowings at 1 April 2012.

Note 18 Prudential borrowing limit

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

Note 19 Provisions

	Current				Non-current			
	Group 31 March 2014 £000	Trust 31 March 2014 £000	Group 31 March 2013 £000	Trust 31 March 2013 £000	Group 31 March 2014 £000	Trust 31 March 2014 £000	Group 31 March 2013 £000	Trust 31 March 2013 £000
Legal claims	1,295	1,295	1,248	1,231	0	0	0	0
Redundancy	0	0	9	9	0	0	0	0
Other	1,591	1,591	1,606	1,606	2,463	2,463	2,211	2,211
Total	2,886	2,886	2,863	2,846	2,463	2,463	2,211	2,211

	Legal claims	Redundancy	Other	Total
	£000	£000	£000	£000
Analysis for 2013/14 - Group				
At 1 April 2013	1,248	9	3,817	5,074
Change in the discount rate	0	0	168	168
Arising during the year	737	0	916	1,653
Utilised during the year - accruals	0	0	(35)	(35)
Utilised during the year - cash	(234)	(9)	(176)	(419)
Reversed unused	(456)	0	(708)	(1,164)
Unwinding of discount	0	0	72	72
At 31 March 2014	1,295	0	4,054	5,349

Expected timing of cash flows:

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

Other provisions relate to injury benefits (£2.6m), VAT risks and disputes.

£83,127k is included in the provisions of the NHS Litigation Authority at 31/3/14 in respect of clinical negligence liabilities of the Trust (31/03/13 £79,766k).

	Legal claims	Redundancy	Other	Total
	£000	£000	£000	£000
Analysis for 2012/13 - Group				
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

	Group 2013/14 Property, plant and equipment £000	Trust 2013/14 Property, plant and equipment £000	Group 2012/13 Property, plant and equipment £000	Trust 2012/13 Property, plant and equipment £000
Note 20 Revaluation reserve				
As at 1st April	63,923	63,923	68,539	68,539
Impairments	8,220	8,220	(4,222)	(4,222)
Revaluations	5,377	5,138	(2)	(2)
Asset disposals	(214)	(214)	(392)	(392)
Revaluation Reserve at 31 March	77,306	77,067	63,923	63,923

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

Note 21 Analysis of Charity Reserves in the Group position

	2013/14	2012/13
Endowment funds	24	24
Restricted funds	2,575	2,739
Unrestricted funds	1,715	1,790
Total Charity Reserves at 31 March	4,314	4,553

	Group Cash and cash equivalents (excluding charitable funds) 31 March 2014 £000	NHS Charitable funds: cash and cash equivalents 31 March 2014 £000	Trust 31 March 2014 £000	Group Cash and cash equivalents (excluding charitable funds) 31 March 2013 £000	NHS Charitable funds: cash and cash equivalents 31 March 2013 £000	Trust 31 March 2013 £000
Note 22 Cash and cash equivalents						
At 1 April	60,109	919	59,914	54,483	1,140	54,483
Net change in year	(16,037)	(287)	(15,934)	5,626	(221)	5,431
At 31 March	44,072	632	43,980	60,109	919	59,914
Comprises:						
Cash at commercial banks and in hand	517	559	425	417	919	222
Cash with the Government Banking Service	43,555	0	43,555	59,692	0	59,692
Other current investments	0	73	0	0	0	0
Cash and cash equivalents as in statement of financial position	44,072	632	43,980	60,109	919	59,914
Bank overdraft	0	0	0	0	0	0
Net cash and cash equivalents as in statement of financial position	44,072	632	43,980	60,109	919	59,914

Third Party Assets held by the Trust

The Trust held a minimal amount of cash and cash equivalents at 31 March 2014 (minimal value at 31 March 2013) which relates to monies held on behalf of patients.

Note 23 Contractual capital commitments

Commitments under capital expenditure contracts at 31st March 2014 were £16,291k for property, plant and equipment and £125k software. (Total at 31st March 2013 £8,739k property, plant and equipment and £11k software). These were all held by the Trust.

Note 24 Events after the reporting period

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

Note 25 Contingencies

There are £100k contingent liabilities relating to legal cases being taken against the Trust and £0k contingent assets at 31st March 2014. There were £225k contingent liabilities and £0k contingent assets as at 31st March 2013. These were all held by the Trust.

26 Related Party Transactions

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

	Revenue £000s	Expenditure £000s	Receivables £000s	Payables £000s
Brighton and Sussex University Hospital NHS Trust	8,793	55	14	25
Health Education England	7,324	4	339	179
Kent & Medway Area Team	12,041	0	122	50
Kent & Medway NHS and Social Care Partnership Trust	1,867	762	436	11
Kent Community Health NHS Trust	3,361	3,463	766	593
Maidstone and Tunbridge Wells NHS Trust	2,325	5,608	1,774	4,050
Medway NHS Foundation Trust	229	2,016	90	271
NHS Ashford CCG	60,955	0	2,185	500
NHS Canterbury & Coastal CCG	106,004	0	2,562	601
NHS Litigation Authority	0	10,064	0	0
NHS Medway CCG	2,023	2	16	659
NHS South Kent Coast CCG	115,563	0	3,163	797
NHS Swale CCG	3,762	0	18	213
NHS Thanet CCG	87,633	0	2,991	530
NHS West Kent CCG	4,232	0	(178)	1,347
Surrey & Sussex Area Team	73,455	(26)	11,134	0
Wessex Area Team	3,246	0	497	0
Other NHS Bodies	8,356	1,975	5,509	964
Local Government bodies	1,146	2,175	231	5
Other government departments	111	50,071	1,739	9,944
Total	502,426	76,169	33,408	20,739

The Trust has also received £788k from East Kent Hospitals Charity, whose Corporate Trustee is the Trust's Board of Directors. The Charity has been treated as a subsidiary in the Group position.

A number of the Directors of the Trust are also directors of Healthex Limited or their subsidiary East Kent Medical Services Limited. The Trust received £2,014k revenue and incurred £3,365k expenditure with the subsidiary during the year, as at the 31 March 2014 the Trust was owed £3,575k by the subsidiary and owed £1,738k. These transactions and balances have been removed on consolidation.

Note 27.1 Financial assets by category	Group - Restated Loans and receivables	Investment in Subsidiary	Trust Loans and receivables	Total
Assets as per Statement of Financial Position	£000	£000	£000	£000
Trade and other receivables excluding non financial assets	34,163	0	37,097	37,097
Other investments	0	48	0	48
Cash and cash equivalents at bank and in hand	44,072	0	43,980	43,980
NHS Charitable funds: financial assets	670	0	0	0
Total at 31 March 2014	78,905	48	81,077	81,125
Trade and other receivables excluding non financial assets	11,907	0	14,759	14,759
Other investments	0	48	0	48
Cash and cash equivalents at bank and in hand	60,109	0	59,914	59,914
NHS Charitable funds: financial assets	1,014	0	0	0
Total at 31 March 2013	73,030	48	74,673	74,721

Note 27.2 Financial liabilities by category	Group - Restated Other financial liabilities	Trust Other financial liabilities
	£000	£000
Obligations under finance leases	65	0
Trade and other payables excluding non financial liabilities at 31 March 2013	53,807	54,362
NHS Charitable funds: financial liabilities	6	0
Total at 31 March 2014	53,878	54,362
Obligations under finance leases	96	0
Trade and other payables excluding non financial liabilities at 31 March 2013	41,366	41,185
NHS Charitable funds: financial liabilities	7	0
Total at 31 March 2013	41,469	41,185

Note 27.3 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	20	1,562
NHS Charitable funds: Non current financial assets	12	0
Total at 31 March 2014	32	1,610
	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
	10	0
Total at 31 March 2013	2,243	3,904

Fair value is considered to be book value.

Note 27.4 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	35	0
Total at 31 March 2014	35	0
	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

Fair value is considered to be book value.

Note 27.5 Financial risk management

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

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

Currency risk

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

Interest rate risk

Most of the Trust's financial assets and liabilities carry nil or fixed rates of interest. Cash deposits at 31st March 2014 were mainly held in Government Banking Service accounts with a floating interest rate. The Trust did not take out any loans during the period. Trade and other receivables for the Trust include a loan to the subsidiary, Healthex Limited. These carry market rates of interest and are eliminated on consolidation.

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

Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has relatively low exposure to credit risk. The maximum exposure as at 31 March 2014 is in receivables from customers. However, the Trust utilises external tracing and debt collection agencies, and court procedures, to pursue overdue debt.

Liquidity risk

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

Note 28 Losses and Special Payments

	2013/14 Number of cases	2013/14 Value of cases £000	2012/13 Number of cases	2012/13 Value of cases £000
Losses				
Cash losses (including overpayments, physical losses and theft)	29	35	30	14
Fruitless payments and constructive losses	0	0	0	0
Bad debts and claims abandoned	62	23	71	3,383
Damage to buildings, property etc - including store losses	55	8	44	5
Special Payments				
Compensation under legal obligation	0	0	0	0
Ex gratia payments	135	115	86	39
Special severance payments	0	0	0	0
TOTAL	281	181	231	3,441

The above losses all relate to the Trust, the subsidiaries made no losses or special payments. These amounts are reported on an accruals basis but exclude provisions for future losses. £2k has been recovered in 2013/14 against losses incurred.

There were no losses or special payments in 2013/14 that were over £250,000. In 2012/13 there was a loss of £3.3m relating to the 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 Healthex Limited with nil cash transferring.

Note 29 Corporation tax

	Group 2013/14 £000	Trust 2013/14 £000	Group 2012/13 £000	Trust 2012/13 £000
UK corporation tax expense	40	0	0	0
Deferred tax expense	0	0	0	0
Total income tax expense in Statement of Comprehensive Income	<u>40</u>	<u>0</u>	<u>0</u>	<u>0</u>
Effective tax charge percentage	22%	0%	0%	0%

Note 30 Effect of the Prior Period Adjustment

A prior period adjustment has been required to reflect the consolidation of East Kent Hospitals Charity. The effect on group accounts is summarised below.

Statement of Comprehensive Income	2012/13 £000	Adjustment	2012/13 Restated £000
Operating Income from continuing operations	501,485	(111)	501,374
Operating Expenses of continuing operations	(489,625)	(180)	(489,805)
Operating surplus	11,860	(291)	11,569
Finance costs:			
Finance income	399	139	538
Finance Costs	(2)	0	(2)
Finance expense - unwinding of discounts on provisions	(78)	0	(78)
Public dividend capital dividends payable	(8,164)	0	(8,164)
Net Finance costs	(7,845)	139	(7,706)
Movement in fair value of investment property	0	62	62
Surplus from continuing operations	4,015	(90)	3,925
Surplus/(deficit) of discontinued operations and the gain/(loss) on disposal of discontinued operations	0	0	0
Surplus for the year	4,015	(90)	3,925
Other comprehensive income			
Impairments	(4,222)	0	(4,222)
Revaluations	(2)	0	(2)
Asset disposals	0	0	0
Other recognised gains and losses	0	0	0
Other reserve movements	0	0	0
Fair Value gains/(losses) on available-for-sale financial investments	0	310	310
Total comprehensive income/(expense) for the year	(209)	220	11

Statement of Financial Position

	As at 31 March 2013 £000	Adjustment	As at 31 March 2013 Restated £000	As at 1 April 2012 £000	Adjustment	As at 1 April 2012 Restated £000
Non-current assets						
Intangible assets	2,164	0	2,164	1,921	0	1,921
Property, plant and equipment	264,588	0	264,588	265,267	0	265,267
Investment property	0	693	693	0	631	631
Other investments	0	2,940	2,940	0	2,644	2,644
Trade and other receivables	4,575	10	4,585	6,031	10	6,041
Total non-current assets	271,327	3,643	274,970	273,219	3,285	276,504
Current assets						
Inventories	7,191	0	7,191	8,081	0	8,081
Trade and other receivables	14,818	(2)	14,816	13,802	(84)	13,718
Non current assets for sale and assets in disposal groups	0		0	0	0	0
Cash and cash equivalents	60,109	919	61,028	54,483	1,140	55,623
Total current assets	82,118	917	83,035	76,366	1,056	77,422
Total assets	353,445	4,560	358,005	349,585	4,341	353,926
Current liabilities						
Trade and other payables	(47,550)	(7)	(47,557)	(44,504)	(8)	(44,512)
Borrowings	(30)	0	(30)	0	0	0
Provisions	(2,863)	0	(2,863)	(1,739)	0	(1,739)
Other current liabilities	(1,719)	0	(1,719)	(2,084)	0	(2,084)
Total current liabilities	(52,162)	(7)	(52,169)	(48,327)	(8)	(48,335)
Total assets less current liabilities	301,283	4,553	305,836	301,258	4,333	305,591
Non-current liabilities						
Trade and other payables	0	0	0	0	0	0
Borrowings	(66)	0	(66)	0	0	0
Provisions	(2,211)	0	(2,211)	(2,043)	0	(2,043)
Total non-current liabilities	(2,277)	0	(2,277)	(2,043)	0	(2,043)
Total assets employed	299,006	4,553	303,559	299,215	4,333	303,548
Financed by (taxpayers' equity):						
Public dividend capital	189,525	0	189,525	189,525	0	189,525
Revaluation reserve	63,923	0	63,923	68,539	0	68,539
Income and expenditure reserve	45,558	0	45,558	41,151	0	41,151
Charitable Fund Reserves	0	4,553	4,553	0	4,333	4,333
Total Taxpayers' Equity	299,006	4,553	303,559	299,215	4,333	303,548