RUH

Royal United Hospital Bath NHS
NHS Trust

Royal United Hospital Bath NHS Trust

Annual Accounts for the year-ended 31 March 2010

United in Excellence

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

The Chief Executive of the NHS has designated that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officers Memorandum issued by the Department of Health. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;

- value for money is achieved from the resources available to the Trust;

- the expenditure and income of the Trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;

- effective and sound financial management systems are in place; and

- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of HM Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

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

Signed: ………

James Scott, Chief Executive
7 June 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of HM Treasury;

- make judgements and estimates which are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

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

By order of the Board.

Signed: ………

James Scott, Chief Executive
7 June 2010

Signed: ………

Catherine Phillips, Director of Finance
7 June 2010

STATEMENT ON INTERNAL CONTROL

1. Scope of Responsibility

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

The NHS South West Strategic Health Authority (SHA), commissioning Primary Care Trusts (PCTs) and the Trust have worked closely in 2009/10 and the Trust's performance is reviewed by the SHA and PCTs on a regular basis.

The Bath & Wiltshire Health Community, which consists of the Trust, NHS Bath and North East Somerset (BaNES) and NHS Wiltshire have continued to worked hard in 2009/10 to improve relationships across the organisations and the Chief Executives meet regularly. The PCTs, Overview and Scrutiny Panel, Public and Local Involvement Networks (LINKs) and other partner organisations have worked closely with the Trust and have agreed the areas of work where focus is required. They have been involved in several aspects of the Trust's activities particularly related to patient experiences.

A representative, nominated by the Trust's LINKs, attends the Trust Board and provides a voice for public and patient views.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives; and

- evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Trust for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

I have overall responsibility for all risks. A nominated lead Director, the Director of Nursing, has been designated as the Director responsible for clinical governance and risk management. I am responsible for corporate governance issues.

STATEMENT ON INTERNAL CONTROL (continued)

The Trust Board is ultimately responsible for managing and directing the Trust's business. However, there are three Assurance sub-committees which provide the Board with assurance. These are the Clinical Governance Committee; Non-Clinical Governance Committee; and the Audit Committee.

The Trust Board has approved the risk management processes and defined significant risks for the Trust. The Trust has a risk register; all new significant risks are reviewed by the Trust Board at each Trust Board meeting. Existing significant risks are reviewed by the Assurance sub-committees on a quarterly basis and by the Trust Board on a half-yearly basis.

Assurance Committees have been established as sub-committees of the Trust Board, with membership from Executive and Non Executive Directors, clinical representatives from the Divisions and other senior clinical and managerial representatives. The Strategic Framework for Risk Management includes a reporting structure which details the groups and committees that report to the Assurance Committees and Trust Board.

Each clinical specialty has a forum for discussing risk management and clinical governance issues with a nominated risk management lead. Guidance for the specialty lead and group is included in the Strategic Framework for Risk Management. The Clinical Governance Performance Framework includes standards on risk management and the pillars of clinical governance. Key Performance Indicators (KPIs) have been developed for clinical governance and these are monitored through the Trust's performance measures and included in a corporate scorecard on a monthly basis. The evidence used to monitor against the KPIs has been used in a number of areas to provide evidence for the achievement of the Healthcare Commission's Standards for Better Health and the Care Quality Commission's Essential Standards of Quality and Safety.

Lessons learned from risk and incident investigations are communicated to the relevant Assurance Committee and result in the development of Trust-wide practice change where appropriate. Incidents are dealt with following the Risk and Incident Management Policy or the Serious Untoward Incident Policy. Lessons learned from complaint investigations are communicated throughout the Trust. The Risk Management team holds a training matrix that details which training is mandatory, best practice, and available for each group of staff.

4. The Risk and Control Framework

4.1 Context

The Strategic Framework for Risk Management identifies the key risk areas for the Trust as clinical risk, non clinical risk, financial risk, human resource risk and information risk.

The policy for Risk and Incident Management includes a clear risk management process. If a risk cannot be resolved at a local level the risk can be referred to a sub-group of one of the Assurance Committees, or the Committees themselves. The risk is also added to the risk register with a plan detailing ways to minimise the risk, and each risk is assessed for its severity and likelihood of occurrence, and are allocated a risk 'traffic light'. The pathway for putting risks onto the Trust risk register includes discussion at Divisional level and the Risk and Clinical Effectiveness Panel (RACE).

STATEMENT ON INTERNAL CONTROL (continued)

Strategic risks outside the remit of the Trust's local governance groups are entered onto the risk register and are reviewed by the Trust Board and the appropriate Assurance Committee. The Trust Board reviews each new significant risk and either explores the solutions or accepts the risk. Existing significant risks are reviewed half-yearly by the Trust Board. Training in risk management is included as part of the induction programme for new members of staff.

The public and stakeholders are involved in managing risk through representation from the LINKs and the local council-led Overview and Scrutiny Committees. In addition, the Trust holds stakeholder events to discuss the issues that should be fed into the Trust strategy. A patient experience strategy has been approved and its progress monitored during 2009/10 by both the Trust Board and the Patient Experience Group (PEG).

4.2 Assurance Framework

The Assurance Framework is a process by which the Trust gains assurance that it has a well-balanced set of objectives for the year and that there are controls in place to manage the key risks associated with achieving the objectives.

The Assurance Framework was developed using the Trust's corporate objectives for 2009/10. The framework focused on patient and public safety, effectiveness, efficiency, and hospital development. The objectives were assessed, and risks in achieving the objectives identified including any gaps in assurance or control. The Assurance Framework was reviewed by the Trust Board regularly throughout the year and included in the public Trust Board papers. Internal Audit reviewed the Assurance Framework in March 2010 and an assessment of significant assurance was provided.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with. Equality impact assessments are considered and completed for all policies as they are developed or updated.

The Trust has undertaken risk assessments, and Carbon Reduction Delivery Plans are in place. These plans have been based on the UK Climate Impacts Programme 2009 weather projects. They have been developed to ensure that they do not conflict with emergency preparedness and civil contingency requirements and ensure that this organisation’s obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

The Assurance Framework has highlighted a number of gaps in control and assurance as at 31 March 2010. These, and the related actions are overleaf:

STATEMENT ON INTERNAL CONTROL (continued)

	Gap in assurance	Actions to address
1	Consistently meeting the 4 hour emergency care target.	The Trust is in the process of implementing the recommendations of the National Urgent Care intensive support team.
2	Achievement of the 18 week wait from referral to treatment time.	Capacity plans to deliver the target are being reviewed. Demand management progress has been limited due to increased referrals from GPs and limited transfers to the independent sector.
3	Delivery of the NHS National Stroke Strategy.	A 'Stroke Taskforce' has been established which meets on a weekly basis.
4	Reducing the length of stay of patients for elective care.	A 'Length of Stay Taskforce' has been established, and plans are in place to reduce the length of stay of patients.
5	Improvements in theatre utilisation.	The Trust is in the process of reviewing the performance of theatres as part of a 'Productive Theatres' review. Progress around demand management has been limited as for 2, above.
6	The replacement of a Patient Administration System, which is planned for 2010/11.	Contractual discussions are ongoing.
7	The implementation of the Recruit, Respect and Respond campaign.	Risk assessments are being carried out to ensure that recruitment needs are addressed.

As a consequence of the gaps highlighted above, notably 1 and 2, the Trust has decided to defer its application to become an NHS Foundation Trust which was originally an objective for 2010.

The Trust received limited assurance arising from certain internal audits commissioned during the year. The main issues highlighted related to Health and Safety concerns surrounding the Trust's records management; and the processes in place to manage consultants' contracts. A work plan is in place to address these issues.

4.3 Quality and Safety

During the year, the Trust has put in place a Quality Board, chaired by the Deputy Medical Director, with the Director of Nursing as Lead Executive Director. The Quality Board is responsible for setting the strategic direction for quality improvements across the Trust and reports directly to the Trust's Management Board. This includes responsibilities for overseeing the Care Quality Commission's requirements and those from the National Institute of Clinical Excellence (NICE), ensuring that these aspects are addressed within a clinical audit strategy.

The regulatory regime in the NHS changed during 2009/10. During the year, and as in previous years, the Trust was required to make a self assessment on its performance against the core standards as set out by the Department of Health in its Standards for Better Health. The Trust has declared full-compliance with the core standards.

STATEMENT ON INTERNAL CONTROL (continued)

The transition of NHS regulation from the Healthcare Commission to the Care Quality Commission (CQC) requires the Trust to assess its performance against the Essential Standards of Quality and Safety. This exercise was a pre-requisite to obtaining CQC registration. Registration was confirmed in March 2010 with no conditions.

The Trust recognises that the Health Act 2006 introduced a statutory duty on NHS organisations to observe the provisions of the Code of Practice on Healthcare Associated Infections. The Trust Board is aware of its responsibilities in assuring that it has suitable systems and arrangements in place to ensure that the Code is being observed.

The CQC made an unannounced visit to the Trust in November 2009. During the visit, they inspected the duties outlined in the Hygiene Code. There were no concerns arising from their visit.

The Trust confirmed that it met the CQC's requirements on Safeguarding Children and Young People in full by 31 March 2010. The Trust was unable to confirm full compliance with the same-sex accommodation requirements. This relates to the Medical Assessment Unit. Full compliance with the requirements was achieved by 31 May 2010 through the delivery of a robust action plan.

4.4 Information Governance

Information Governance within the RUH is managed and controlled through the implementation of the Trust Information Governance strategy which is owned by the Trust Board. The strategy is delivered through an Action Plan which looks to improve the way that information is handled and managed within the Trust. The Action Plan is firmly based on the requirements given in the NHS IG Toolkit and national legislation, policies and directives.

In 2008/09 the Trust had an overall compliance score of 68% (Amber). In April 2009 the IG Group set a minimum compliance target of 75% (Green) which has now been reached. The overall compliance score for 2009/10 has improved to 80% (Green), however, the target of all individual initiatives being Green has not been achieved. The two initiatives which remain as Amber are Secondary Use Assurance and Corporate Information Assurance and these will form the focus for next years Action Plan.

25 of the 62 requirements are designated as being “key requirements” by Connecting for Health and have to be a minimum of Level 2. These requirements are also subject to particular monitoring and reporting by the SHA. The RUH has achieved Level 2 or greater in all 25 and is thus compliant.

Areas where key improvements have taken place has been the establishment of Information Asset Owners (IAOs) in 35 key departments and specialties across the Trust. These IAOs are senior managers in the organisation who play a key role in understanding the Information risks within their areas of responsibility. Emphasis has also been placed on the controls on key Trust IT systems and these have been subject to a programme of audits with measures being put in place to reduce any identified vulnerabilities.

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

During 2009/10 there have been no serious untoward incidents relating to information.

STATEMENT ON INTERNAL CONTROL (continued)

4.5 Continuous improvement

Where possible improvements have been identified through either self-assessments; external assessments; or incidents, detailed action plans are developed to address these and responsibility assigned to a lead Executive Director. Plans are taken through the annual Board cycle (both the Trust's Management Board and Trust Board) to ensure continuous improvement. The monthly reporting of progress against the Trust's objectives and the Care Quality Commission's Essential Standards of Quality and Safety, in conjunction with the Assurance Framework, help the Trust Board identify and mitigate any risks in meeting the Trust's objectives. The Assurance Committees ensure that action plans to eliminate gaps identified in previous years are being monitored.

5. Review of Effectiveness

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

- Care Quality Commission registration.
- Internal Audit reports;
- External Audit reports;
- Auditors' Local Evaluation (ALE);
- CQC inspections in respect of compliance with the Hygiene code;
- NHSLA assessments;
- Self Assessments on:
  - the Core Standards for Better Health;
  - CQC's Essential Standards of Quality and Safety;
  - safeguarding children and young people;
  - delivering same-sex accommodation;
- Clinical audits;
- Patient and staff surveys;
- Improving Working Lives practice assessment; and
- Benchmarking information.

I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Trust Board, Audit Committee, Clinical Governance Committee, Non-Clinical Governance Committee, Charities Committee and the Management Board. When issues are identified, plans are put in place to ensure that any learning is embedded in the organisation. This ensures that the system is subject to continuous improvement.

STATEMENT ON INTERNAL CONTROL (continued)

The Trust declared full compliance with the core Standards for Better Health and the Essential Standards of Quality and Safety. Any improvements which have been identified as part of this assessment have been reviewed and an action plan is in place to address these, which will be monitored during 2010/11.

The Trust's major risks this year are the achievement of the 4 hour emergency target on a consistent basis throughout the year, and the achievement of the 18 week wait from referral to treatment. These remain risks which will be monitored throughout 2010/11.

During the year, the Trust overspent compared to its planned budget. A financial recovery plan was implemented and the Trust achieved its planned surplus for the year. Maintaining expenditure controls and delivering savings plans are key requirements for the coming year.

The Trust Board has a vital role in ensuring that the Trust has an effective system of internal control. 2009/10 has seen further improvements in the system on internal control, building on the work of previous years. The Trust Board and its sub-committees have functioned effectively throughout the year.

My review confirms that the Royal United Hospital Bath NHS Trust has a generally sound system of internal control that supports the achievement of its policies, aims and objectives.

Signed: ……

James Scott, Chief Executive
7 June 2010

AUDIT REPORT

Independent auditor's report to the Board of Directors of Royal United Hospital Bath NHS Trust

Opinion on the financial statements

We have audited the financial statements of Royal United Hospital Bath NHS Trust for the year ended 31 March 2010 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. These financial statements have been prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service set out within them.

We have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Board of Directors of Royal United Hospital Bath NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Directors' as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. We report whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. We also report to you whether, in our opinion, the information which comprises the commentary on the financial performance included within the Financial Review, included in the Annual Report, is consistent with the financial statements.

We review whether the directors' Statement on Internal Control reflects compliance with the Department of Health's requirements, set out in 'Guidance on Completing the Statement on Internal Control 2009/10' issued in February 2010. We report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information we am aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the directors' Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2010 and of its income and expenditure for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England; and
- information which comprises the commentary on the financial performance included within the Financial Review, included within the Annual Report, is consistent with the financial statements.

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

Directors' Responsibilities

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

Auditor's Responsibilities

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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for NHS bodies specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, Royal United Hospital Bath NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

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

Signed: ……………………………………………………………………………………………………

John Golding
Senior Statutory Auditor
For and on behalf of: Grant Thornton
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT
7 June 2010

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 March 2010

	Note	2009/10 £000	2008/09 £000
Revenue			
Revenue from patient care activities	4	**202,129**	190,685
Other operating revenue	5	**21,227**	19,464
Operating expenses	7	**(215,785)**	(199,475)
Operating surplus		**7,571**	10,674
Finance costs:			
Investment revenue	13	**48**	747
Other losses	14	**(22)**	(117)
Finance costs	15	**(1,433)**	(1,692)
Surplus for the financial year		**6,164**	9,612
Public dividend capital dividends payable		**(4,766)**	(3,822)
Retained surplus for the year		**1,398**	**5,790**

Other comprehensive income			
Impairments charged to the Revaluation and Donated asset reserves		(32,394)	(7,801)
Receipt of donated and government granted assets		475	569
Reclassification adjustments:			
- Transfers from donated and government grant reserves		(1,144)	(955)
Total comprehensive income for the year		**(31,665)**	**(2,397)**

The notes on pages 17 to 46 form part of these accounts.

The Trust's performance against its statutory breakeven duty is not the same as its retained surplus for the year. Performance against the breakeven duty is explained in Note 33 on page 43. Note 33 reverses the impact of impairments charged during the year of £4,402,000 in arriving at a surplus of £5,800,000.

Comparative balances for 2008/09 have been amended following the adoption of International Financial Reporting Standards, as required by the Department of Health. They are therefore not directly comparable with the published financial statements for 2008/09. A reconciliation is included in Note 38 on page 46.

STATEMENT OF FINANCIAL POSITION AS AT 31 March 2010

	Note	**31 March 2010 £000**	31 March 2009 £000	1 April 2008 £000
Non-current assets				
Property, plant and equipment	16	**145,836**	180,519	191,463
Intangible assets	17	**760**	255	234
Other financial assets	22	**121**	165	0
Trade and other receivables	21	**1,762**	1,476	1,320
Total non-current assets		**148,479**	182,415	193,017
Current assets				
Inventories	20	**3,139**	3,309	3,237
Trade and other receivables	21	**11,026**	13,926	13,827
Other financial assets	22	**61**	55	0
Cash and cash equivalents	23	**690**	1,470	2,465
Total current assets		**14,916**	18,760	19,529
Total assets		**163,395**	201,175	212,546
Current liabilities				
Trade and other payables	24	**(10,858)**	(13,813)	(12,682)
Other liabilities	26	**(24)**	(24)	(24)
Department of Health working capital loan	25	**(7,000)**	(6,800)	(8,600)
Borrowings	25	**(233)**	(246)	(170)
Provisions	29	**(1,844)**	(1,175)	(1,563)
Net current liabilities		**(5,043)**	(3,298)	(3,510)
Total assets less current liabilities		**143,436**	179,117	189,507
Non-current liabilities				
Borrowings	25	**(497)**	(649)	(893)
Department of Health working capital loan	25	**(13,700)**	(20,700)	(27,500)
Provisions	29	**(903)**	(743)	(568)
Other liabilities	26	**0**	(24)	(48)
Total assets employed		**128,336**	157,001	160,498
Financed by taxpayers' equity:				
Public dividend capital		**130,445**	127,445	128,545
Retained earnings		**(44,425)**	(45,860)	(51,650)
Revaluation reserve		**37,256**	69,302	77,055
Donated asset reserve		**5,060**	6,114	6,548
Government grant reserve		**0**	0	0
Total Taxpayers' Equity		**128,336**	157,001	160,498

The financial statements on pages 13 to 46 were approved by the Board on 7 June and signed on its behalf by:

Signed: ……………………………………………………………………………………………

James Scott, Chief Executive
7 June 2010

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public dividend capital (PDC)	Retained earnings	Revaluation reserve	Donated asset reserve	Govenment grant reserve	Total
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2008						
As previously stated	128,545	(41,138)	66,752	6,548	0	160,707
Prior Period Adjustment to adopt International Financial Reporting Standards (Note 38)	0	(10,512)	10,303	0	0	(209)
Restated balance	128,545	(51,650)	77,055	6,548	0	160,498
Changes in taxpayers' equity for 2008/09						
Total Comprehensive Income for the year:						
Retained surplus for the year	0	5,790	0	0	0	5,790
Impairments and reversals	0	0	(7,753)	(48)	0	(7,801)
Receipt of donated/government granted assets	0	0	0	545	24	569
Reclassification adjustments:						
- transfers from donated asset/government grant reserve	0	0	0	(931)	(24)	(955)
Public Dividend Capital repaid in year	(1,100)	0	0	0	0	(1,100)
Balance at 31 March 2009	127,445	(45,860)	69,302	6,114	0	157,001

	Public dividend capital (PDC)	Retained earnings	Revaluation reserve	Donated asset reserve	Govenment grant reserve	Total
	£000	£000	£000	£000	£000	£000
Changes in taxpayers' equity for 2009/10						
Balance at 1 April 2009	127,445	(45,860)	69,302	6,114	0	157,001
Total Comprehensive Income for the year:						
Retained surplus for the year	0	1,398	0	0	0	1,398
Transfers between reserves	0	37	(37)	0	0	0
Impairments and reversals	0	0	(32,009)	(385)	0	(32,394)
Receipt of donated/government granted assets	0	0	0	458	17	475
Reclassification adjustments:						
- transfers from donated asset/government grant reserve	0	0	0	(1,127)	(17)	(1,144)
New Public Dividend Capital received	3,000	0	0	0	0	3,000
Balance at 31 March 2010	130,445	(44,425)	37,256	5,060	0	128,336

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2010

	Note	**2009/10** £000	2008/09 £000
Cash flows from operating activities			
Operating surplus		**7,571**	10,674
Depreciation and amortisation		**9,299**	10,757
Impairments and reversals		**4,402**	1,805
Transfer from donated asset reserve		**(1,127)**	(931)
Transfer from government grant reserve		**(17)**	(24)
Interest paid		**(1,419)**	(1,680)
Dividends paid		**(4,723)**	(3,822)
Decrease/(increase) in inventories		**170**	(72)
Decrease/(increase) in trade and other receivables		**2,614**	(255)
(Decrease)/increase in trade and other payables		**(3,487)**	1,073
Decrease in other liabilities		**(24)**	0
Increase/(decrease) in provisions	29	**818**	(162)
Net cash inflow from operating activities		**14,077**	**17,363**
Cash flows from investing activities			
Interest received		**48**	747
Payments for property, plant and equipment	16	**(10,373)**	(8,714)
Proceeds from disposal of plant, property and equipment		**28**	5
Payments for intangible assets	17	**(595)**	(90)
Payments for other investments		**0**	(359)
Net cash outflow from investing activities		**(10,892)**	**(8,411)**
Net cash inflow before financing		**3,185**	**8,952**
Cash flows from financing activities			
Public dividend capital received		**3,000**	0
Public dividend capital repaid		**0**	(1,100)
Loans repaid to the Department of Health		**(6,800)**	(8,600)
Capital element of finance leases		**(165)**	(247)
Net cash outflow from financing		**(3,965)**	**(9,947)**
Net decrease in cash and cash equivalents		**(780)**	(995)
Cash and cash equivalents at the beginning of the financial year		**1,470**	**2,465**
Cash and cash equivalents at the end of the financial year	23	**690**	**1,470**

NOTES TO THE ACCOUNTS

1. Accounting Policies

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

1.1 Accounting convention

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

1.2 Critical accounting judgements and key sources of estimation uncertainty

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

1.2.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see 1.2.2) that management has made in the process of applying the Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

The classification of leases into finance or operating leases is judgemental, as disclosed in Note 1.12. The impact of the classification of leases as finance leases is disclosed in Note 27 (Finance lease obligations).

1.2.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year

i. The Trust holds a significant asset base and any variation in the useful economic lives of the asset base will have an impact on both the balance sheet and the in-year financial position of the Trust. The Trust has amended the useful economic lives of its buildings during the year as a result of the revaluation of the Trust's estate. Depreciation and amortisation charged during the year, including on donated assets, was £9,299,000 (2008/09: £10,757,000).

ii. Impairments are recognised where management believe that there is an indication of impairment (through, for example, obsolescence). They are recognised where the carrying amount of an asset exceeds its recoverable amount. As part of the Trust's estate revaluation, the value of the impairment which was charged to the Statement of Comprehensive Income is disclosed in Note 18 (Impairments).

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

iii. The Trust has a number of agreements in place to provide services over more than one year (for example, contracts relating to research and development). The revenue recognised in the year reflected management's judgement about each agreement's outcome and stage of completion.

iv. The valuation of the Trust's estate is based on reports from a Chartered Surveyor on a five-year rolling basis, supplemented by indices from the Surveyor in the intervening period. The net book value of the Trust's land, buildings and dwellings as at 31 March 2010 was £127,113,000 (31 March 2009: £160,416,000).

v. To determine the recoverable amount, estimates are made on the expected future cash flow benefits which are expected to accrue from the asset. The future cash flow benefits and applicable discount rates used are based on estimates, and has an impact on the impairment recognised. Impairments have been disclosed in Note 18.

vi. Income is recognised as it is earned. Consequently, income has been accrued for those patients for whom their treatment is part-completed at the year-end (see Note 1.3). The income relating to these patients at the balance sheet date is based on management estimates and is subject to uncertainty. The value of part-completed spell income at 31 March 2010 was £2,366,604 (31 March 2009: £2,526,901).

vii. In estimating net realisable value of inventories, management takes into account the most reliable evidence available at the year-end. Inventories are valued at the lower of cost or net realisable value and are disclosed in Note 20.

viii. The Trust holds a number of provisions where the actual outcome may vary from the amount recognised in the financial statements. Provisions are based on the most reliable evidence available at the year-end. Details surrounding provisions held at the year-end are included in Note 29. Uncertainties and issues arising from provisions and contingent liabilities are assessed and reported in the same note.

ix. Each agreement in place for services provided over more than one year is reviewed for its profitability at each balance sheet date, but the assessment of future costs to complete are subject to uncertainty. Income which has been deferred to future periods relating to these contracts at 31 March 2010 amounted to £796,186 (31 March 2009: £596,128).

x. Events which occur after the balance sheet date can have a material impact on the Trust's balance sheet. Where the event should reasonably have been foreseen at the balance sheet date, the impact has been included in the financial statements. If this is not the case, the impact has been included as a narrative disclosure.

1.3 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the Trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of costs incurred to date compared to total expected costs.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

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

1.4 Employee Benefits

1.4.1 Short-term employee benefits

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

1.4.2 Retirement benefit costs

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

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

1.5 Other expenses

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

1.6 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

Valuation

All property, plant and equipment are measured initially at cost, representing the cost 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.

Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.
Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

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

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets. HM Treasury has agreed that NHS Trusts must apply these new valuation requirements by 1 April 2010 at the latest. The Trust has adopted the amended approach, the effects of which have been incorporated into the accounts, as detailed in Note 16.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss where a specific event may have occurred. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by International Accounting Standard 23 (Borrowing Costs) for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

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

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

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

1.7 Intangible assets

Recognition

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

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:
● the technical feasibility of completing the intangible asset so that it will be available for use;
● the intention to complete the intangible asset and use it;
● the ability to sell or use the intangible asset;
● how the intangible asset will generate probable future economic benefits or service potential;
● the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it; and
● the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Measurement

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

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

1.8 Depreciation, amortisation and impairments

Freehold land, properties under construction, and assets held for sale are not depreciated.

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

At each reporting period end, the Trust reviews whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

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

1.9 Donated assets

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

1.10 Government grants

Government grants are grants from government bodies other than revenue from NHS bodies for the provision of services. Revenue grants are treated as deferred income initially and credited to income to match the expenditure to which they relate.

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

1.11 Non-current assets held for sale

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

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

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

1.12 Leases

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

The Trust as lessee

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

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

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

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

The Trust as lessor

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

1.13 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.14 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Trust’s cash management.

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

1.15 Provisions

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

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

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

1.16 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. The contribution is charged to expenditure. 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 29 (Provisions).

1.17 Non-clinical risk pooling

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

1.18 EU Emissions Trading Scheme

EU Emissions Trading Scheme allowances are accounted for as government grant funded intangible assets if they are not expected to be realised within twelve months, and otherwise as other current assets. They are valued at open market value. As the NHS body makes emissions, a provision is recognised with an offsetting transfer from the government grant reserve. The provision is settled on surrender of the allowances. The asset, provision and government grant reserve are valued at fair value at the end of the reporting period.

During 2007/08, the Trust became aware that it would not receive its full requirement of allowances. Consequently, a provision was made to recognise the additional costs to the Trust over the duration of the scheme. In 2008/09 the Trust acquired on the open market the additional allowances which were estimated to be required for the scheme. The value of these investments is matched to the related provision for future years and has been included on the Statement of Financial Position at the market value at 31 March 2010. This has managed the risk of exposure to the future market value of the allowances.

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

Contingencies

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

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

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

1.20 Financial assets

Financial assets are recognised when the Trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

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

Financial assets at fair value through profit and loss

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

The Trust's European Union Emissions Scheme allowances are held as financial assets at fair value. The value is ascertained through the market at each transaction and reporting date.

Loans and receivables

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

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

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

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

1.21 Financial liabilities

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

Loans from the Department of Health are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

1.22 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.

1.23 Foreign currencies

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

1.24 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 39 to the accounts.

1.25 Public Dividend Capital (PDC) and PDC dividend

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

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

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

1.26 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).

1.27 Subsidiaries

For 2009/10, in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate Trustee.

1.28 Accounting standards that have been issued but have not yet been adopted

The following standards and interpretations have been adopted by the European Union but are not required to be followed until 2010/11. None of them are expected to impact upon the Trust financial statements.

IAS 27 (Revised) Consolidated and separate financial statements

Amendment to IAS 32 Financial instruments: Presentation on classification or rights issues

Amendment to IAS 39 Eligible hedged items

IFRS 3 (Revised) Business combinations

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 18 Transfer of assets from customers

1.29 Accounting standards issued that have been adopted early

The amendment to International Financial Reporting Standard 8 (Operating Segments) that was included in the April 2009 'Improvements to IFRS' document has been adopted early. As a result, the Trust is not required to disclose total assets by operating segment.

1.30 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Statement of Comprehensive Income on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

2. Operating segments

The Trust's Chief Decision Maker has been defined as the Trust Board, and is responsible for allocating the resources across the Trust. The Trust Board receives information on the Trust activities as a whole, as one operating segement. The Trust has therefore determined that there is only one segment, that of providing acute healthcare.

As a result the segmental analysis is as stated in the Statement of Comprehensive Income and Statement of Financial Position.

3. Income generating activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. None of the Trust's income generating activities exceeds £1m in turnover or is otherwise material.

4. Revenue from patient care activities	**2009/10**	2008/09
	£000	£000
NHS Trusts	**337**	350
Primary Care Trusts	**197,560**	170,042
Department of Health	**212**	16,010
Foundation Trusts	**488**	485
Local Authorities	**137**	191
Non-NHS:		
Private patients	**2,191**	2,677
Overseas patients (non-reciprocal)	**63**	27
Injury costs recovery	**895**	760
Other	**246**	143
	202,129	**190,685**

Income from the Department of Health has reduced as a result of a change in the payment mechanism for 'Market Forces Factor' income. This income is now paid to the Trust from Primary Care Trusts.

Injury cost recovery income is subject to a provision for impairment of receivables of 7.8% to reflect expected rates of collection, as laid out in the Manual for Accounts.

5. Other Operating Revenue	**2009/10**	2008/09
	£000	£000
		(Restated)
Education, training and research	**10,427**	9,016
Charitable and other contributions to expenditure	**470**	864
Transfers from Donated Asset Reserve	**1,127**	931
Transfers from Government Grant Reserve	**17**	24
Non-patient care services to other bodies	**592**	543
Income generation	**3,236**	2,634
Rental revenue	**445**	507
Other revenue	**4,913**	4,945
	21,227	19,464

Other operating revenue for 2008/09 has been restated to separately disclose rental from operating activities.

6. Revenue

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

7. Operating Expenses

	2009/10	2008/09
	£000	£000
		(Restated)
Services from other NHS Trusts	**481**	971
Services from NHS Primary Care Trusts	**1,697**	1,697
Services from other NHS bodies	**2,038**	1,541
Services from NHS Foundation Trusts	**374**	323
Purchase of healthcare from non NHS bodies	**1,295**	2,425
Directors' costs	**1,013**	847
Other Employee Benefits	**136,627**	126,588
Supplies and services - clinical	**36,331**	33,506
Supplies and services - general	**3,351**	2,364
Consultancy services	**1,139**	969
Establishment	**1,883**	1,839
Transport	**1,779**	1,575
Premises	**7,647**	8,580
Provision for impairment of receivables	**73**	(230)
Inventories write-offs	**97**	55
Depreciation	**9,224**	10,689
Amortisation	**75**	68
Impairments and reversals of property, plant and equipment	**4,402**	1,805
Audit fees	**179**	190
Other auditors' remuneration	**0**	13
Clinical negligence insurance premium	**3,938**	2,236
Research and development	**338**	58
Education and Training	**441**	544
Other	**1,363**	822
	215,785	199,475

Operating expenses for 2008/09 have been restated to separately disclose expenses relating to Research and development.

8. Operating leases

8.1 As lessee

The Trust enters into a number of lease agreements as part of its operating activities. There are no leases which are individually material to the Trust.

Payments recognised as an expense	**2009/10**	2008/09
	£000	£000
Minimum lease payments	**231**	217
	231	217

No balances were payable in respect of contingent rent or subleases (2008/09: nil).

Total future minimum lease payments	**2009/10**	2008/09
	£000	£000
Payable:		
Not later than one year	**158**	217
Between one and five years	**6**	170
After 5 years	**0**	0
Total	**164**	387

There are no future contingent rentals or sublease payments which the Trust expected to make (2008/09: nil)

8.2 As lessor

The Trust is a lessor for accommodation on short term arrangements. All arrangements are for a period of less than one year.

Rental Revenue	**2009/10**	2008/09
	£000	£000
Rental Revenue	**445**	507
Total rental revenue	**445**	507

Rental revenue contains no contingent rentals.

Total future minimum lease payments	**2009/10**	2008/09
	£000	£000
Receivable:		
Not later than one year	**37**	42
Total	**37**	42

9. Employee costs and numbers

9.1 Employee costs

	2009/10			2008/09		
	Total	**Permanently Employed**	**Other**	Total (Restated)	Permanently Employed (Restated)	Other (Restated)
	£000	**£000**	**£000**	£000	£000	£000
Salaries and wages	**116,346**	**109,145**	**7,201**	107,458	99,294	8,164
Social Security Costs	**9,273**	**8,893**	**380**	8,623	8,300	323
Employer contributions to NHS Pension scheme	**12,611**	**12,296**	**315**	11,618	11,329	289
Employee benefits expense	**138,230**	**130,334**	**7,896**	127,699	118,923	8,776
Of the total above:						
Charged to capital	590			264		
Charged to earnings	**137,640**			127,435		
Directors' costs	1,013			847		
Other employee benefits	136,627			126,588		
Total employee costs charged to earnings	**137,640**			127,435		

Balances for 2008/09 have been restated to be measured on a consistent basis with 2009/10.

9.2 Average number of people employed

	2009/10			2008/09		
	Total	**Permanently Employed**	**Other**	Total	Permanently Employed	Other
	Number	**Number**	**Number**	Number	Number	Number
Medical and dental	**443**	**437**	**6**	424	419	5
Administration and estates	**991**	**937**	**54**	967	885	82
Healthcare assistants and other support staff	**395**	**395**	**0**	363	363	0
Nursing, midwifery and health visiting staff	**1,055**	**935**	**120**	963	859	104
Scientific, therapeutic and technical staff	**564**	**555**	**9**	533	528	5
Other	**80**	**80**	**0**	77	77	0
Total	**3,528**	**3,339**	**189**	3,327	3,131	**196**
Of the above:						
Number of staff (WTE) engaged on capital projects	**15**			**9**		

9.3 Staff sickness absence

	2009/10
	Number
Days lost (long term)	22,753
Days lost (short term)	18,550
Total days lost	**41,303**
Total staff years	**3,406**
Average working days lost	12.13
Total staff employed in period (headcount)	4,638
Total staff employed in period with no absence (headcount)	1,614
Percentage staff with no sick leave	**34.8%**

10.4 Management Costs

	2009/10	**2008/09**
	£000	**£000**
Management costs	8,738	8,734
Income	223,170	210,150
Management costs as a percentage of income	3.9%	4.2%

10. Pension costs

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

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

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

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

b) Accounting valuation

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

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

The valuation of the scheme liability as at 31 March 2010, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2010 with summary global member and accounting data.

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

c) Scheme provisions

In 2009/10 the NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

Annual Pensions

The scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last 3 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".

Pensions Indexation

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year.

Lump Sum Allowance

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

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

Death Benefits
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.

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

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

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

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

11. Retirements due to ill-health

During 2009/10 there were 5 (2008/09, 7) early retirements from the NHS Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £252,000 (2008/09: £389,000). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

12. Better Payment Practice Code

12.1 Better Payment Practice Code - measure of compliance

	2009/10 Number	2009/10 £000	2008/09 Number	2008/09 £000
Total Non-NHS trade invoices paid in the year	**65,513**	**62,655**	68,775	60,116
Total Non NHS trade invoices paid within target	**62,257**	**56,472**	61,286	49,530
Percentage of Non-NHS trade invoices paid within target	**95%**	**90%**	89%	82%
Total NHS trade invoices paid in the year	**2,452**	**24,971**	2,407	17,972
Total NHS trade invoices paid within target	**2,250**	**20,240**	2,140	15,348
Percentage of NHS trade invoices paid within target	**92%**	**81%**	89%	85%

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

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

	2009/10 £000	2008/09 £000
Amounts included in finance costs from claims made under this legislation	**1**	1
Compensation paid to cover debt recovery costs under this legislation	**0**	0
Total	**1**	**1**

13. Investment revenue

	2009/10 £000	2008/09 £000
Interest revenue:		
Bank accounts	48	747
Total	48	747

14. Other gains and losses

	2009/10 £000	2008/09 £000
Loss on disposal of property, plant and equipment	**(40)**	(18)
Change in fair value of financial assets carried at fair value through profit and loss	**18**	(99)
Total	**(22)**	(117)

15. Finance Costs

	2009/10 £000	2008/09 £000
Interest on loans and overdrafts	**1,370**	1,631
Interest on obligations under finance leases	**48**	48
Interest on late payment of commercial debt	**1**	1
Total interest expense	**1,419**	1,680
Other finance costs	**14**	12
Total	**1,433**	**1,692**

16. Property, plant and equipment

2009/10:	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	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 2009	48,673	107,890	3,853	205	43,231	204	11,050	2,170	217,276
Additions purchased	0	6,026	0	2,238	2,067	20	568	53	10,972
Additions donated	0	13	0	7	438	0	0	0	458
Reclassifications	0	793	0	(109)	(684)	0	34	0	34
Reclassified as held for sale	0	0	0	0	(967)	0	0	0	(967)
Disposals other than by sale	0	0	(685)	(14)	(7,567)	0	(2,418)	(2,050)	(12,734)
Impairments	(14,583)	(17,559)	(247)	0	0	0	(5)	0	(32,394)
At 31 March 2010	**34,090**	**97,163**	**2,921**	**2,327**	**36,518**	**224**	**9,229**	**173**	**182,645**
Depreciation at 1 April 2009	0	0	0	0	28,107	152	6,951	1,547	36,757
Reclassifications	0	240	0	0	(240)	0	19	0	19
Reclassified as held for sale	0	0	0	0	(859)	0	0	0	(859)
Disposals other than by sale	0	(654)	0	0	(7,862)	0	(2,420)	(1,798)	(12,734)
Impairments	0	4,402	0	0	0	0	0	0	4,402
Charged during the year	0	3,010	63	0	4,380	19	1,418	334	9,224
Depreciation at 31 March 2010	**0**	**6,998**	**63**	**0**	**23,526**	**171**	**5,968**	**83**	**36,809**
Net book value	34,090	90,165	2,858	2,327	12,992	53	3,261	90	145,836
Purchased	34,090	87,549	2,858	2,301	10,675	53	3,183	90	140,799
Donated	0	2,616	0	26	2,317	0	78	0	5,037
Total at 31 March 2010	**34,090**	**90,165**	**2,858**	**2,327**	**12,992**	**53**	**3,261**	**90**	**145,836**
Asset financing									
Owned	34,090	90,165	2,858	2,327	12,024	53	3,261	90	144,868
Finance Leased	0	0	0	0	968	0	0	0	968
Total 31 March 2010	**34,090**	**90,165**	**2,858**	**2,327**	**12,992**	**53**	**3,261**	**90**	**145,836**
Non-current assets held for sale									
Assets held for sale at 1 April 2009	0	0	0	0	0	0	0	**0**	0
Assets held for sale in year	0	0	0	0	108	0	0	**0**	108
Assets sold in year	0	0	0	0	(108)	0	0	**0**	(108)
Assets held for sale at 31 March 2010	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

16. Property, plant and equipment (continued)

2008/09:	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2008	54,757	109,822	4,003	875	38,283	204	12,057	2,164	222,165
Additions purchased	0	3,453	0	140	4,528	0	699	6	8,826
Additions donated	0	38	0	0	450	0	57	0	545
Reclassifications	0	761	0	(810)	49	0	0	0	0
Disposals	0	0	0	0	(79)	0	0	0	(79)
Disposals other than by sale	0	0	0	0	0	0	(1,763)	0	(1,763)
Revaluation / Indexation	(6,084)	(1,655)	(62)	0	0	0	0	0	(7,801)
At 31 March 2009	**48,673**	**112,419**	**3,941**	**205**	**43,231**	**204**	**11,050**	**2,170**	**221,893**
Depreciation at 1 April 2008	0	0	0	0	23,794	132	5,458	1,318	30,702
Disposals	0	0	0	0	(58)	0	0	0	(58)
Disposals other than by sale	0	0	0	0	0	0	(1,764)	0	(1,764)
Impairments	0	41	0	0	0	0	1,764	0	1,805
Charged during the year	0	4,488	88	0	4,371	20	1,493	229	10,689
Depreciation at 31 March 2009	**0**	**4,529**	**88**	**0**	**28,107**	**152**	**6,951**	**1,547**	**41,374**
Net book value									
Purchased	48,673	104,794	3,853	186	12,325	52	3,939	583	174,405
Donated	0	3,096	0	19	2,799	0	160	40	6,114
Total at 31 March 2009	**48,673**	**107,890**	**3,853**	**205**	**15,124**	**52**	**4,099**	**623**	**180,519**
Asset financing									
Owned	48,673	107,890	3,853	205	14,248	52	4,099	623	**179,643**
Finance Leased	0	0	0	0	876	0	0	0	**876**
Total 31 March 2009	**48,673**	**107,890**	**3,853**	**205**	**15,124**	**52**	**4,099**	**623**	**180,519**
Non-current assets held for sale									
Assets held for sale at 1 April 2008	0	0	0	0	0	0	0	**0**	0
Assets held for sale in year	0	0	0	0	21	0	0	**0**	21
Assets sold in year	0	0	0	0	(21)	0	0	**0**	(21)
Assets held for sale at 31 March 2009	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

16. Property, plant and equipment (continued)

Revaluation

In accordance with the requirements of the Department of Health, the Trust's estate was revalued at 1 April 2009. As there were indications of further reductions in value during the year, the Trust undertook an impairment review at 31 March 2010 which resulted in further reductions to the value of the Estate. The valuation was carried out by Mr SM Boshier MRICS, of Boshier and Company, Faversham, Kent, an independent valuer, in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury.

The valuation was carried out on the basis of Depreciated Replacement Cost for specialised operational property using the Modern Equivalent Asset methodology and Existing Use Value for non-specialised operational property. The value of land for existing use purposes is assessed at Existing Use Value. For non-operational properties including surplus land, the valuations are carried out at Open Market Value.

Following the revaluation exercise conducted at 1 April 2009, land and buildings have been restated to current value by the use of indices to 31 March 2010 as part of an impairment review. The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office.

Asset lives

The economic lives for the Trust's main categories of property, plant an equipment fall between the ranges indicated below:
Buildings and dwellings: Between 20 and 65 years
Plant and machinery: Between 5 and 15 years
Transport equipment: Between 5 and 7 years
Information technology: Between 3 and 5 years
Furniture and fittings: Between 5 and 10 years
There have been no significant changes made to these lives during the financial year.

Fully depreciated assets

The gross value of fully depreciated assets included in the Trust accounts at 31 March 2010 are as follows:
Plant and machinery: £8,246,967 (2008/09: £11,478,477)
Informtation technology: £2,436,813 (2008/09: £4,097,650)
Transport equipment: £91,587 (2008/09: £80,757)
Furniture and fittings: £28,571 (2008/09: £48,584)

Donated assets

During 2009/10, the Trust received donations from which assets were purchased to the value of £457,464. These donations were mainly made as follows:
£303,619: Friends of the Royal United Hospital (2008/09: £154,048)
£153,845: Royal United Hospital Bath Charitable Funds (2008/09: £358,590)
Donations were mainly for the purchase of medical equipment. Both charities are registered with the Charity Commission in England and Wales, and further details are available on www.ruh.nhs.uk.

Other

All of the values included for property, plant and equipment relate to their value for continuing NHS use. Consequently none of the values are at open market value.

There are no material assets which were temporarily idle at 31 March 2010.

The Trust acts as a lessor for a number of operating leases as disclosed in Note 8. At 31 March 2010, the assets had gross values of £2,858,000 (31 March 2009: £3,371,000). The assets suffered an impairment charge of £247,000 during the year (2008/09: nil) and depreciation of £63,000 was charged (2008/09: £66,000).

17. Intangible assets

	2009/10: Computer software - pucrhased £000	2009/10: Licences and Trademarks	2009/10: Total £000	2008/09: Licences and Trademarks £000	2008/09: Total £000
Gross cost at 1 April 2009	0	389	389	300	300
Additions purchased	576	19	595	90	90
Reclassifications	167	(201)	(34)	0	0
Disposals other than by sale	(5)	0	(5)	(1)	(1)
Gross cost at 31 March 2010	**738**	**207**	**945**	389	389
Amortisation at 1 April 2009	0	134	134	66	66
Reclassifications	27	(46)	(19)	0	0
Disposals other than by sale	(5)	0	(5)	0	0
Charged during the year	38	37	75	68	68
Amortisation at 31 March 2010	**60**	**125**	**185**	134	134
Net book value	678	82	760	255	255
Purchased	655	82	737	255	255
Donated	23	0	23	0	0
Total at 31 March 2010	**678**	**82**	**760**	**255**	**255**

Intangible assets are held at depreciated purchase costs and were not subject to revaluation during the year. All intangible assets have an estimated life of 5 years (2008/09: 5 years).

All intangible assets are owned, and have either been purchased or donated to the Trust. No intangible assets have been purchased with government grants (2008/09: none).

Licences and trademarks include £12,869 of assets which are held at nil net book value (2008/09: nil). Computer software includes £3,000 of assets held at nil net book value (2008/09: nil).

17.1 Revaluation reserve balance for intangible assets

Intagible assests have not been revalued and consequently there is no related revaluation reserve (2008/09: nil).

18. Impairments

At 1 April 2009, all land, buildings and dwellings owned by the Trust were revalued by an external valuer as explained in Note 17. During the year, a number of projects came into operational use, and were subject to an impairment review at that point. An additional impairment review was completed at 31 March 2010 as there were indications of further reductions in the value of land and buildings over the financial year. The effect of these revaluations has been a charge of £32,394,000 to the Revaluation and

19. Capital commitments

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

	31 March 2010	31 March 2009
	£000	£000
Property, plant and equipment	**3,857**	636
Intangible assets	**0**	0
Total	**3,857**	**636**

20. Inventories

20.1. Inventories	31 March 2010	31 March 2009
	£000	£000
Drugs	**818**	914
Consumables	**2,169**	1,884
Energy	**133**	144
Other	**19**	367
Total	**3,139**	3,309
Of which held at net realisable value:	0	0

The Trust does not hold any non-current inventories (2008/09: £nil).

20.2 Inventories recognised in expenses	31 March 2010	31 March 2009
	£000	£000
Inventories recognised as an expense in the period	**0**	0
Impairment of inventories (including losses)	**97**	55
Total	**97**	55

21. Trade and other receivables

21.1 Trade and other receivables	Current		Non-current	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
	£000	£000	£000	£000
NHS receivables-revenue	**6,581**	6,597	**0**	0
Non-NHS receivables-revenue	**220**	162	**1,911**	1,601
Provision for the impairment of receivables	**(150)**	(107)	**(149)**	(125)
Prepayments and Accrued income	**2,420**	4,727	**0**	0
Other receivables	**1,955**	2,547	**0**	0
Total	**11,026**	13,926	**1,762**	1,476

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

21.2 Receivables past their due date but not impaired	31 March 2010	31 March 2009
	£000	£000 (Restated)
By up to three months	**2,781**	1,841
By three to six months	**503**	1,076
By more than six months	**296**	336
Total	**3,580**	**3,253**

The Trust does not hold any collateral as value against receivables which are due to the Trust.

Comparative balances have been restated to be disclosed on a consistent basis with the current year.

21.3 Provision for impairment of receivables

	31 March 2010 £000	31 March 2009 £000
Balance at 1 April	**(232)**	(636)
Amount written off during the year	**6**	174
Amount recovered during the year	**101**	350
Increase in receivables impaired	**(174)**	(120)
Balance at 31 March	**(299)**	(232)

22. Other financial assets

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Financial assets carried at fair value through profit and loss	**61**	55	**121**	165
Total	**61**	55	**121**	165

Other financial assets include the Trust's holding of European Union Emission Trading Scheme allowances.

23. Cash and cash equivalents

	31 March 2010 £000	31 March 2009 £000
Balance at 1 April	**1,470**	2,465
Net change in year	**(780)**	(995)
Balance at 31 March	**690**	1,470
Made up of		
Cash with Office of HM Paymaster General	**552**	1,298
Commercial banks and cash in hand	**138**	172
Cash and cash equivalents as in statement of financial position	**690**	1,470
Cash and cash equivalents as in statement of cash flows	**690**	1,470

24. Trade and other payables

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
NHS payables - revenue	**1,549**	2,766	**0**	0
NHS payables - capital	**1**	0	**0**	0
Non NHS trade payables - revenue	**3,737**	3,489	**0**	0
Non NHS trade payables - capital	**614**	83	**0**	0
Accruals and deferred income	**4,855**	7,267	**0**	0
Tax	**3**	2	**0**	0
Other	**99**	206	**0**	0
Total	**10,858**	13,813	**0**	0

25. Borrowings

	Current		Non-current	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	£000	£000	**£000**	£000
Loans from:				
Department of Health	**7,000**	6,800	**13,700**	20,700
Finance lease liabilities	**233**	246	**497**	649
Total	**7,233**	7,046	**14,197**	21,349

The Trust's Loan Balance represents a balance owed to the Department of Health. In 2007/08 the Department of Health granted the Royal United Hospital Bath NHS Trust a loan of £38,000,000 at a fixed rate of 5.05%, to be repaid in instalments over 20 years. In March 2008, the terms of the loan were renegotiated such that the Trust will make annual repayments in line with the schedule above. The interest rate remains the same, and the loan is scheduled to be repaid in full by March 2013.

26. Other liabilities

	Current		Non-current	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	£000	£000	**£000**	£000
Amounts payable to buy out liabilities arising under early retirement	**24**	24	**0**	24
Total	**24**	24	**0**	24

Other liabilities include:
£24,000 for payments due in future years under arrangements to buy out the liability for 1 early retirement over 5 instalments. This will be fully settled in 2010/11.

27. Finance lease obligations

The Trust holds a number of finance leases, which are neither individually or collectively material to the Trust.

Amounts payable under finance leases:	**Minimum lease payments**		**Present value of minimum lease payments**	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	£000	£000	**£000**	£000
Within one year	**261**	282	**233**	246
Between one and five years	**436**	650	**401**	592
After five years	**104**	54	**96**	57
Less future finance charges	**(71)**	(91)	**0**	0
Present value of minimum lease payments	**730**	895	**730**	895
Included in:				
Current borrowings	**233**	246	**233**	246
Non-current borrowings	**497**	649	**497**	649
	730	895	**730**	895

There are no future sublease payments which are expected to be received.

No contigent rentals have be recognised in expenditure (2008/09: £nil).

28. Finance lease commitments

The Trust does not have any finance lease commitments at the 31 March 2010 (31 March 2009: none).

29. Provisions

	Current		Non-current	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	£000	£000	**£000**	£000
Pensions relating to staff other than former directors	**62**	41	**782**	578
Legal claims	**60**	58	**0**	0
EU Emissions Trading Directive	**61**	55	**121**	165
Other (see below)	**1,661**	1,021	**0**	0
Total	**1,844**	1,175	**903**	743

	Pensions relating to staff other than directors	**Legal claims**	**EU Emissions Trading Directive**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
At 1 April 2008	**558**	**102**	**460**	**1,011**	**2,131**
Arising during the year	184	46	16	576	**822**
Used during the year	(127)	(75)	(39)	(78)	**(319)**
Reversed unused	(8)	(15)	(217)	(488)	**(728)**
Unwinding of discount	12	0	0	0	**12**
Transfers in year	0	0	0	0	**0**
At 1 April 2009	**619**	**58**	**220**	**1,021**	**1,918**
Arising during the year	271	30	18	1,104	**1,423**
Used during the year	(60)	(11)	(56)	(464)	**(591)**
Reversed unused	0	(17)	0	0	**(17)**
Unwinding of discount	14	0	0	0	**14**
Transfers in year	0	0	0	0	**0**
At 31 March 2010	**844**	**60**	**182**	**1,661**	**2,747**
Expected timing of cash flows:					
In the remainder of the spending review period to 31 March 2011	62	60	61	1,661	**1,844**
Between 1 April 2011 and 31 March 2016	234	0	121	0	**355**
Between 1 April 2016 and 31 March 2021	265	0	0	0	**265**
Thereafter	283	0	0	0	**283**

£7,486,581 is included in the provisions of the NHS Litigation Authority at 31 March 2010 in respect of clinical negligence liabilities of the Trust (31 March 2009: £9,739,021).

Pension provisions relating to other staff represent the remaining liabilities for pre 1995 pensions on early retirement and entitlements to injury benefits. The provision is calculated based on present payments and anticipated life spans, discounted at 2.2%.

Amounts provided for legal claims represent the estimated excesses on legal claims, as advised by the NHS Litigation Authority.

Amounts provided for under the EU Emissions Trading Directive is matched by purchased EU Emissions Trading allowances included within 'Other financial assets'.

Amounts provided under 'Other' represent anticipated costs of staff pay arrears; redundancies and provisions for employment tribunal cases.

30. Contingencies

The Trust has been informed of a potential early retirement caused by ill-health which arose before 31 March 2010. The NHS Pension Agency have not determined the value of the provision that may be required and as such the Trust is unable to provide for the potential liability.

The Trust has revisited its estimation of contingent assets. There are no contingent assets at the 31 March 2010.

31. Financial Instruments

31.1 Financial assets

	At fair value through profit and loss	Loans and receivables	Total
	£000	£000	£000
Non-current receivables	0	1,601	**1,601**
Cash at bank and in hand	0	1,470	**1,470**
Other financial assets	220	0	**220**
Total at 31 March 2009	220	3,071	**3,291**
Non-current receivables	**0**	**1,911**	**1,911**
Cash at bank and in hand	**0**	**690**	**690**
Other financial assets	**182**	**0**	**182**
Total at 31 March 2010	**182**	**2,601**	**2,783**

31.2 Financial liabilities

	At fair value through profit and loss	Other	Total
	£000	£000	£000
Finance lease obligations	0	(895)	**(895)**
Other borrowings	0	(27,500)	**(27,500)**
Other financial liabilities	0	(24)	**(24)**
Total at 31 March 2009	0	(28,419)	**(28,419)**
Finance lease obligations	**0**	**(730)**	**(730)**
Other borrowings	**0**	**(20,700)**	**(20,700)**
Other financial liabilities	**0**	**0**	**0**
Total at 31 March 2010	**0**	**(21,430)**	**(21,430)**

31.3 Financial risk management

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

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

Currency risk

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

Interest rate risk

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

Credit risk

Because the majority of the Trust’s income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2010 are in receivables from customers, as disclosed in the Trade and other receivables note.

Liquidity risk

The Trust’s operating costs are incurred under contracts with Primary Care Trusts, which are financed from resources voted annually by Parliament . The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

31.4 Maturity of financial liabilities

	31 March 2010 £000	31 March 2009 £000
In one year or less	**7,233**	7,046
In more than one year but not more than two years	**7,601**	7,592
In more than two years but not more than five years	**6,596**	13,757
Total	**21,430**	28,395

32. Events after the reporting period

There are no significant events which have occurred after 31 March 2010 which would have a material effect on the financial statements.

33. Financial performance targets

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

33.1 Breakeven Performance	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
	£000	**£000**	**£000**	**£000**	**£000**
Turnover	166,012	177,619	194,221	210,149	223,356
Retained (deficit)/surplus for the year	(7,339)	144	1,900	5,600	1,398
Adjustment for:					
Adjustments for impairments	0	0	0	1,805	4,402
Other agreed adjustments	946	0	0	0	0
Break-even in-year position	(6,393)	144	1,900	7,405	5,800
Break-even cumulative position	(32,123)	(31,979)	(30,079)	(22,674)	(16,874)

The Trust's recovery plan, approved by the SHA aims to achieve break-even in 2012/13.

	2005/06	**2006/07**	**2007/08**	**2008/09**	**2009/10**
	%	**%**	**%**	**%**	**%**
Materiality test (equal to, or less than 0.5% of turnover):					
Break-even in-year position as a percentage of turnover	(4%)	0%	1%	4%	3%
Break-even cumulative position as a percentage of turnover	(19%)	(18%)	(15%)	(11%)	(8%)

The amounts in the above tables in respect of financial years 2005/06 to 2008/09 inclusive have **not** been restated to IFRS and remain on a UK GAAP basis.

33.2 Capital cost absorption rate

For 2008/09 the Trust was required to absorb the cost of capital at a rate of 3.5% of forecast average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £3,822,000, bears to the actual average relevant net assets of £150,794,000, that is 2.5%

From 2009/10 the dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and therefore the actual capital cost absorption rate is automatically 3.5%.

33.3 External financing

The Trust is given an external financing limit which it is permitted to undershoot.

		2009/10	2008/09
	£000	**£000**	£000
External financing limit		**(2,814)**	(8,633)
Cash flow financing	(3,185)		(8,705)
Finance leases taken out in the year	39		78
External financing requirement		**(3,146)**	(8,627)
Under/(over)shoot		**332**	(6)

The Trust overshot its external financing limit in 2008/09, when restated and measured on an IFRS basis. When measured on the accounting principles applicable at that time, the Trust did not overshoot its external financing limit in 2008/09. As a technical accounting adjustment for a prior-year measure, this is not a breach of the Trust's duty.

33.4 Capital Resource Limit

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

	2009/10	2008/09
	£000	£000
Gross capital expenditure	**12,025**	9,461
Less: book value of assets disposed of	**(108)**	(21)
Plus: loss on disposal of donated assets	**41**	4
Less: donations towards the acquisition of non-current assets	**(458)**	(545)
Charge against the capital resource limit	**11,500**	8,899
Capital resource limit	**11,500**	8,820
Under/(over)spend against the capital resource limit	**0**	(79)

The Trust overspent against its CRL in 2008/09, when restated and measured on an IFRS basis. When measured on the accounting principles applicable at that time, the Trust met its CRL. As a technical accounting adjustment for a prior-year measure, this is not a breach of the Trust's duty.

34. Related party transactions

The Royal United Hospital Bath NHS Trust is a body corporate established by order of the Secretary of State for Health.

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

The Department of Health is regarded as a related party. During the year the Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are:

Strategic Health Authorities
NHS South West

Primary Care Trusts
NHS Wiltshire
NHS Bath and North East Somerset
NHS Somerset
NHS Bristol
NHS South Gloucestershire
NHS Swindon

NHS Trusts
North Bristol NHS Trust
University Hospitals Bristol NHS Foundation Trust
Royal National Hospital for Rheumatic Diseases NHS Foundation Trust
Portsmouth Hospitals NHS Trust
Avon and Wiltshire Mental Health Partnership Trust

Other agencies
NHS Litigation Authority
NHS Purchasing and Supply Agency
NHS Pensions Agency
NHS Blood and Transplant
Health Protection Agency

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with Her Majesty's Revenue and Customs in relation to Value Added Tax, National Insurance Contributions and Income Taxes.

The Trust has also received revenue and capital payments from the Royal United Hospital Bath NHS Trust Charitable Funds, for which the Trust Board acts as Corporate Trustee. The audited accounts of the Charitable Funds are available at www.ruh.nhs.uk.

35. Third Party Assets

The Trust held no cash or cash equivalents at 31 March 2010 (31 March 2009: nil) which relates to monies held by the NHS Trust on behalf of patients.

36. Intra-Government and Other Balances	**Current receivables £000**	**Non-current receivables £000**	**Current payables £000**	**Non-current payables £000**
Balances with other Central Government Bodies	6,441	0	1,253	0
Balances with Local Authorities	30	0	0	0
Balances with NHS Trusts and Foundation Trusts	140	0	297	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Intra Government balances	6,611	0	1,550	0
Balances with bodies external to Government	4,415	1,762	9,308	0
At 31 March 2010	**11,026**	**1,762**	**10,858**	**0**
Balances with other Central Government Bodies	8,465	0	9,311	0
Balances with Local Authorities	77	0	9	0
Balances with NHS Trusts and Foundation Trusts	184	0	255	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Intra Government balances	8,726	0	9,575	0
Balances with bodies external to Government	5,200	1,476	4,238	0
At 31 March 2009	13,926	1,476	13,813	0

37. Losses and Special Payments

There were 59 cases of losses and special payments (2008/09: 144 cases) totalling £33,424 (2008/09: £294,622) accrued during 2009/10.

There were no individual cases exceeding £250,000 (2008/09: none).

38. Transition to IFRS

	Public Dividend Capital £000	**Retained earnings £000**	**Revaluation reserve £000**	**Donated asset reserve £000**
Taxpayers' equity at 1 April 2008 as previously stated	**128,545**	**(41,138)**	**66,752**	**6,548**
Adjustment for:				
Leases (a)	0	(9)	0	0
Holiday pay accrual (b)	0	(200)	0	0
Revaluation reserve adjustment (c)	0	(10,303)	10,303	0
Taxpayers' equity at 1 April 2008 under IFRS	**128,545**	**(51,650)**	**77,055**	**6,548**
Taxpayers’ equity at 31 March 2009 under UK GAAP:	**127,445**	**(45,841)**	**69,302**	**6,114**
Adjustments for IFRS changes:				
Leases (a)	0	(19)	0	0
Taxpayers’ equity at 1 April 2009 under IFRS	**127,445**	**(45,860)**	**69,302**	**6,114**
Surplus for 2008/09 under UK GAAP		**5,600**		
Adjustments for:				
Leases (a)		(10)		
Holiday Pay Accrual (b)		200		
Surplus for 2008/09 under IFRS		**5,790**		

(a) The adjustment for leases represents the effect of recognising leases which were classified as operating leases under UK GAAP as finance leases under IFRS. This had an effect on the balance sheet at 1 April 2008 for historic arrangements, and a subsequent impact on the expenditure for 2008/09.

(b) IFRS requires that the costs of untaken annual leave are accrued within the financial year. The balance sheet at 1 April 2009 has therefore been restated to include this effect. During 2008/09, the impact of annual leave was accounted for within the UK GAAP accounts. The adjustment posted on the 2008/09 UK GAAP accounts has therefore been reversed.

(c) IFRS does not allow negative balances to be carried within the Revaluation reserve for individual assets, which was previously permitted under certain circumstances. The transfer between the Revaluation reserve and Retained earnings represents the historic effect of this change in policy.