

Data entered below will be used throughout the workbook:

Trust name:	The Whittington Hospital NHS Trust
This year	2005/06
Last year	2004/05
This year ended	31 March 2006
Last year ended	31 March 2005
This year beginning	1 April 2005

FOREWORD TO THE ACCOUNTS

THE WHITTINGTON HOSPITAL NHS TRUST

These accounts for the year ended 31 March 2006 have been prepared by the XYZ NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 March 2006**

	NOTE	2005/06 £000	2004/05 £000
Income from activities	3	104,499	97,611
Other operating income	4	26,997	29,913
Operating expenses	5-7	<u>(128,736)</u>	<u>(123,401)</u>
OPERATING SURPLUS (DEFICIT)		2,760	4,123
Profit (loss) on disposal of fixed assets	8	<u>0</u>	<u>0</u>
SURPLUS (DEFICIT) BEFORE INTEREST		2,760	4,123
Interest receivable		651	422
Interest payable	9	(1)	0
Other finance costs - unwinding of discount	16	(47)	(92)
Other finance costs - change in discount rate on provisions	16	<u>(295)</u>	<u> </u>
SURPLUS (DEFICIT) FOR THE FINANCIAL YEAR		3,068	4,453
Public Dividend Capital dividends payable		<u>(3,048)</u>	<u>(2,455)</u>
RETAINED SURPLUS (DEFICIT) FOR THE YEAR		<u>20</u>	<u>1,998</u>

The notes on pages 7 to 13 form part of these accounts.
All income and expenditure is derived from continuing operations.

**NOTE TO THE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 March 2006**

	31 March 2006 £000	31 March 2005 £000
Retained surplus/(deficit) for the year	20	1,998
Financial support included in retained surplus/(deficit) for the year - NHS Bank	0	0
Financial support included in retained surplus/(deficit) for the year - Internally Generated	1,200	6,000
Retained surplus/(deficit) for the year excluding financial support	(1,180)	(4,002)

Trust Narrative: (agreed locally)

Financial support is income provided wholly to assist in managing the NHS Trust's financial position. Internally generated financial support is financial support received from within the local health economy, consisting of the area of responsibility of North Central London Strategic Health Authority.

**BALANCE SHEET AS AT
31 March 2006**

	NOTE	31 March 2006 £000	31 March 2005 £000
FIXED ASSETS			
Intangible assets	10	0	0
Tangible assets	11	100,762	97,680
Investments	14.1	0	0
		100,762	97,680
CURRENT ASSETS			
Stocks and work in progress	12	1,181	1,205
Debtors	13	9,864	9,369
Investments	14.2	0	0
Cash at bank and in hand	18.3	384	387
		11,429	10,961
CREDITORS: Amounts falling due within one year	15	(16,018)	(10,353)
NET CURRENT ASSETS (LIABILITIES)		(4,589)	608
TOTAL ASSETS LESS CURRENT LIABILITIES		96,173	98,288
CREDITORS: Amounts falling due after more than one year	15	0	0
PROVISIONS FOR LIABILITIES AND CHARGES	16	(2,525)	(2,314)
TOTAL ASSETS EMPLOYED		93,648	95,974
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	22	45,287	49,921
Revaluation reserve	17	46,380	44,298
Donated asset reserve	17	1,564	1,358
Income and expenditure reserve	17	417	397
TOTAL TAXPAYERS EQUITY		93,648	95,974

Signed:(Chief Executive)

Date:

The financial statements on pages 1 to 6 were approved by the Board on [date] and signed by:

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 March 2006**

	2005/06	2004/05
	£000	£000
Surplus (deficit) for the financial year before dividend payments	3,068	4,453
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	2,368	6,899
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	102	56
Total recognised gains and losses for the financial year	5,538	11,408
Prior period adjustment	0	0
Total gains and losses recognised in the financial year	<u>5,538</u>	<u>11,408</u>

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2006**

	NOTE	2005/06 £000	2004/05 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	18.1	11,396	6,586
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		671	409
Interest paid		<u>(1)</u>	<u>0</u>
Net cash inflow/(outflow) from returns on investments and servicing of finance		670	409
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		<u>(4,387)</u>	<u>(4,057)</u>
Net cash inflow/(outflow) from capital expenditure		(4,387)	(4,057)
DIVIDENDS PAID			
		<u>(3,048)</u>	<u>(2,455)</u>
Net cash inflow/(outflow) before management of liquid resources and financing		4,631	483
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of current asset investments		0	0
Sale of current asset investments		<u>0</u>	<u>0</u>
Net cash inflow/(outflow) from management of liquid resources		0	0
Net cash inflow/(outflow) before financing		<u>4,631</u>	<u>483</u>
FINANCING			
Public dividend capital repaid (not previously accrued)		<u>(4,634)</u>	<u>(429)</u>
Net cash inflow/(outflow) from financing		<u>(4,634)</u>	<u>(429)</u>
Increase/(decrease) in cash		<u><u>(3)</u></u>	<u><u>54</u></u>

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 Trust Manual for Accounts which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2005/06 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Resource Accounting Manual 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. The accounting policies 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 fixed assets at their value to the business by reference to their current costs. NHS Trusts are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

1.2 Acquisitions and discontinued operations

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

1.3 Income recognition

Income is accounted for applying the accruals convention. The main source of income for the Trust is from commissioners in respect of healthcare services provided under local agreements. Income is recognised in the period in which services are provided. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.4 Care Trust designation

This is not applicable.

1.5 Pooled budgets

The Trust has entered into a pooled budget with Islington Primary Care Trust and the London Borough of Islington. Under the arrangement funds are pooled under S31 of the Health Act 1999 for delayed discharge activities and a note to the accounts provides details of the income and expenditure.

The pool is hosted by the London Borough of Islington. Payments for services provided by the Trust are accounted for as income from these organisations. The Trust accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

1.6 Intangible fixed assets

Intangible assets are capitalised when they are capable of being used in a Trust's activities for more than one year; they can be valued; and they have a cost of at least £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised research and development which is revalued using an appropriate index figure. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives.

1.7 Tangible fixed assets

Capitalisation

Tangible assets are capitalised if they are capable of being used for a period which exceeds one year and if

- individually have a cost of at least £5,000; or
- collectively 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
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost

Expenditure on digital hearing aids in the year ended 31 March 2004 (but not in earlier years) was treated as capital expenditure, in accordance with the amendment to the Capital Accounting Manual issued in July 2003, giving rise to an increase in fixed assets regardless of the cost of the individual hearing aids. Subsequent purchases of digital hearing aids are capitalised only when the total value is greater than £5,000. Where small numbers of appliances are purchased the costs are expensed as incurred.

Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. 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.

Professional valuations are carried out by the District Valuers of the Inland Revenue Government Department. The valuations are carried out 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. In accordance with the requirements of the Department of Health, the last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and were applied on the 31 March 2005.

The valuations are carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property 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.

Additional alternative Open Market Value figures have only been supplied for operational assets once they have been taken out of operational use and subsequently disposed of.

All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Total Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

Assets in the course of construction are valued at current cost using the indexes as for land and buildings, as above. These assets include any existing land or buildings under the control of a contractor.

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets as 'assets under construction and payments on account' where the PFI contract specifies the amount, or nil value at which the assets will be transferred to the Trust at the end of the contract. The residual interest is built up, on an actuarial basis, during the life of the contract by capitalising part of the unitary charge so that at the end of the contract the balance sheet value of the residual value plus the specified amount equal the expected fair value of the residual asset at the end of the contract. The estimated fair value of the asset on reversion is determined by the District Valuer based on Department of Health guidance. The District Valuer should provide an estimate of the anticipated fair value of the assets on the same basis as the District Valuer values the NHS Trust's estate.

Operational equipment other than IT equipment, which is considered to have nil inflation, is valued at net current replacement cost through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

Depreciation, amortisation and impairments

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. No depreciation is provided on freehold land and assets surplus to requirements.

Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset.

Impairment losses resulting from short-term changes in price that are considered to be recoverable in the longer term are taken in full to the revaluation reserve. These include impairments resulting from the revaluation of fixed assets from their cost to their value in existing use when they become operational. This may lead to a negative revaluation reserve in certain instances.

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale.

Where, under Financial Reporting Standard 11, a fixed asset impairment is charged to the Income and Expenditure Account, offsetting income may be paid by the Trust's main commissioner using funding provided by the NHS Bank.

1.8 Donated fixed assets

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also 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 the Income and Expenditure account. Similarly, any impairment on donated assets charged to the Income and Expenditure Account is matched by a transfer from the Donated Asset Reserve. On sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the Income and Expenditure Reserve.

1.9 Government grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. The government grants reserve is maintained at a level equal to the net book value of the assets which it has financed. Gains and losses on revaluations are also taken to the Government Grant Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Government Grant Reserve to the Income and Expenditure account. Similarly, any impairment on grant funded assets charged to the Income and Expenditure Account is matched by a transfer from the Reserve.

1.10 Private Finance Initiative (PFI) transactions

The NHS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides definitive guidance for the application of the Application Note F to FRS 5 and the guidance 'Land and Buildings in PFI schemes Version 2'.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI obligations are recorded as an operating expense. Where the trust has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Income and Expenditure Account. Where, at the end of the PFI contract, a property reverts to the Trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Trust, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.11 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.12 Research and development

Expenditure on research is not capitalised. Expenditure on development is capitalised if it meets the

- there is a clearly defined project;
- the related expenditure is separately identifiable;

- the outcome of the project has been assessed with reasonable certainty as to:
 - its technical feasibility;
 - its resulting in a product or service which will eventually be brought into use;
- adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as used for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. NHS Trusts are unable to disclose the total amount of research and development expenditure charged in the income and expenditure account because some research and development activity cannot be separated from patient care activity.

Fixed assets acquired for use in research and development are amortised over the life of the associated project.

1.13 Provisions

The Trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. This is a change from the rate of 3.5% in 2004/05 and earlier. The effect of the change is to increase the carrying value of the provision and this is shown in the Income and Expenditure Account and at Note 16.

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. 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 16.

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2004/05 relates to the Trust's contribution to the Clinical Negligence Scheme for Trusts.

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.

1.14 Pension 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. As a consequence it is not possible for the NHS Trust to identify its share of the underlying scheme assets and liabilities. Therefore the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full valuation for FRS 17 purposes every four years. The last valuation on this basis took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999. Between valuations, the Government Actuary provides an update of the scheme liabilities. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at www.nhs.gov.uk. Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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

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

Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Income and Expenditure account at the time the NHS Trust commits itself to the retirement, regardless of the method of payment.

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

1.15 Liquid resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.16 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.

1.17 Foreign Exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Income and Expenditure account.

1.18 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 28 to the accounts.

1.19 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

1.20 Public Dividend Capital (PDC) and PDC Dividend

Public Dividend Capital represents the outstanding public debt of an NHS Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the NHS Trust.

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash 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. 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.

1.21 Losses and special payments

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

Losses and special payments are charged to the relevant functional headings in the income and expenditure account on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, Note 30 is compiled directly from the losses and compensations register which is prepared on a cash basis.

2. Segmental analysis

This is not applicable.

3. Income from activities

	2005/06	2004/05	
	£000	£000	
Primary Care Trusts	101,591	96,878	Restated
Local Authorities	154	175	Restated
Department of Health	2,299	0	
Non NHS:			
- Private Patients	83	67	
- Overseas patients (non-reciprocal)	44	66	
- Road Traffic Act	247	350	
- Other	81	75	
	104,499	97,611	

[Road Traffic Act income is subject to a provision for doubtful debts of 8.7% to reflect expected rates of collection]

4. Other operating income

	2005/06	2004/05	
	£000	£000	
Education, training and research	13,471	14,745	
Transfers from donated asset reserve	182	180	
Non-patient care services to other bodies	4,094	3,924	Restated
Income generation	1,198	1,118	Restated
Other income	8,052	9,946	Restated
	26,997	29,913	

5. Operating expenses

5.1 Operating expenses comprise:

	2005/06 £000	2004/05 £000	
Services from other NHS Trusts	1,725	1,227	
Services from other NHS bodies	4,185	4,042	
Services from Foundation Trusts	96	309	
Directors' costs	723	698	
Staff costs	91,822	86,295	
Supplies and services - clinical	13,346	13,081	
Supplies and services - general	1,606	1,641	
Establishment	1,297	1,372	Restated
Transport	95	77	Restated
Premises	3,737	3,652	
Bad debts	8	54	
Depreciation and amortisation	4,534	4,517	
Audit fees	173	168	
Clinical negligence	2,179	2,024	
Other	3,210	4,244	
	<u>128,736</u>	<u>123,401</u>	

5.2 Operating leases

5.2/1 Operating expenses include:

	2005/06 £000	2004/05 £000
Hire of plant and machinery	199	194
Other operating lease rentals	191	185
	<u>390</u>	<u>379</u>

5.2/2 Annual commitments under non - cancellable operating leases are:

	Land and buildings		Other leases	
	2005/06 £000	2004/05 £000	2005/06 £000	2004/05 £000
Operating leases which expire:				
Within 1 year	0	0	92	86
Between 1 and 5 years	66	67	33	32
After 5 years	0	0	0	0
	<u>66</u>	<u>67</u>	<u>125</u>	<u>118</u>

6. Staff costs and numbers

6.1 Staff costs

	2005/06 Total £000	Permanently Employed £000	Other £000	2004/05 £000
Salaries and wages	78,243	73,337	4,906	74,163
Social Security Costs	6,483	6,483	0	5,754
Employer contributions to NHSPA	7,774	7,774	0	7,034
	92,500	87,594	4,906	86,951

6.2 Average number of persons employed

	2005/06 Total Number	Permanently Employed Number	Other Number	2004/05 Number
Medical and dental	295	281	14	279
Administration and estates	465	448	17	451
Healthcare assistants and other support staff	247	188	59	348
Nursing, midwifery and health visiting staff	699	674	25	707
Nursing, midwifery and health visiting learners	0	0	0	0
Scientific, therapeutic and technical staff	306	295	11	292
Total	2,012	1,886	126	2,077

6.3 Employee benefits

This is not applicable.

6.4 Management costs

	2005/06 £000	2004/05 £000
Management costs	6,663	6,004
Income	131,496	127,524

Management costs are defined as those on the management costs website at www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en..

6.5 Retirements due to ill-health

During 2005/06 (prior year 2004/05) there was 1 (3) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of this ill-health retirement will be £52,000 (£174,000). The cost will be borne by the NHS Pensions Agency.

7. Better Payment Practice Code

7.1 Better Payment Practice Code - measure of compliance

	2005/06 Number	2005/06 £000
Total Non-NHS trade invoices paid in the year	39,326	36,169
Total Non NHS trade invoices paid within target	33,864	31,933
Percentage of Non-NHS trade invoices paid within target	86%	88%
Total NHS trade invoices paid in the year	5,167	6,107
Total NHS trade invoices paid within target	4,585	5,395
Percentage of NHS trade invoices paid within target	89%	88%

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.

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

This is not applicable.

8. Profit/(loss) on disposal of fixed assets

This is not applicable.

9. Interest payable

	2005/06 £000	2004/05 £000
Other	1	0
	<hr/> 1 <hr/>	<hr/> 0 <hr/>

10. Intangible fixed assets

This is not applicable.

11. Tangible fixed assets

11.1 Tangible fixed assets at the balance sheet date comprise the following elements:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and Machinery	Information Technology	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2005	20,850	64,983	800	3,158	21,805	5,836	117,432
Additions purchased	0	6	0	5,014	119	7	5,146
Additions donated	0	102	0	0	0	0	102
Reclassifications	0	1,436	0	(2,389)	953	0	0
Indexation	1,043	1,192	15	0	461		2,711
Cost or Valuation at 31 March 2006	21,893	67,719	815	5,783	23,338	5,843	125,391
Depreciation at 1 April 2005					16,231	3,521	19,752
Charged during the year	0	3,087	36		1,079	332	4,534
Indexation	0	0	0		343		343
Depreciation at 31 March 2006	0	3,087	36	0	17,653	3,853	24,629
Net book value							
- Purchased at 1 April 2005	20,850	64,097	800	3,158	4,848	2,315	96,068
- Donated at 1 April 2005	0	886	0	0	726	0	1,612
- Total at 1 April 2005	20,850	64,983	800	3,158	5,574	2,315	97,680
- Purchased at 31 March 2006	21,893	63,668	779	5,783	5,085	1,990	99,198
- Donated at 31 March 2006	0	964	0	0	600	0	1,564
- Total at 31 March 2006	21,893	64,632	779	5,783	5,685	1,990	100,762

Of the totals, nothing was valued at open market value.

11.2 The net book value of land, buildings and dwellings at comprises:

	31 March 2006 £000	31 March 2005 £000
Freehold	87,304	86,633
TOTAL	87,304	86,633

12. Stocks and work in progress

	31 March 2006 £000	31 March 2005 £000
Finished goods	1,181	1,205
TOTAL	<u><u>1,181</u></u>	<u><u>1,205</u></u>

13. Debtors

	31 March 2006 £000	31 March 2005 £000
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Amounts falling due within one year:

NHS debtors	4,519	4,011
Provision for irrecoverable debts	(356)	(457)
Other prepayments and accrued income	1,400	1,824
Other debtors	2,118	1,836
Sub Total	<u>7,681</u>	<u>7,214</u>

Amounts falling due after more than one year:

NHS debtors	1,486	1,449
Provision for irrecoverable debts	0	0
Other prepayments and accrued income	697	706
Sub Total	<u>2,183</u>	<u>2,155</u>
TOTAL	<u><u>9,864</u></u>	<u><u>9,369</u></u>

14. Investments

This is not applicable.

15. Creditors

15.1 Creditors at the balance sheet date are made up of:

	31 March 2006	31 March 2005
	£000	£000
Amounts falling due within one year:		
NHS creditors	2,857	2,500
Non - NHS trade creditors - revenue - other	1,894	703
Non - NHS trade creditors - capital	2,096	1,317
Tax and social security costs	2,199	(71)
Other creditors	4,070	2,866
Accruals and deferred income	2,902	3,038
TOTAL	<u>16,018</u>	<u>10,353</u>

Other creditors include;

- £986,172 outstanding pensions contributions at 31 March 2006 (31 March 2005 £5,293).

15.2 Loans [and other long-term financial liabilities]

This is not applicable.

15.3 Finance lease obligations

This is not applicable.

15.4 Finance lease commitments

This is not applicable.

16. Provisions for liabilities and charges

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Restructurings £000	Other £000	Total £000
At 1 April 2005	272	1,832	20	0	190	2,314
Change in discount rate	38	228	0	0	29	295
Arising during the year	7	46	53	0	4	110
Utilised during the year	(57)	(149)	(13)	0	(19)	(238)
Reversed unused	0	0	(3)	0	0	(3)
Unwinding of discount	5	38	0	0	4	47
At 31 March 2006	265	1,995	57	0	208	2,525

Expected timing of cashflows:

Within one year	53	143	57	0	19	272
Between one and five years	80	521	0	0	70	671
After five years	132	1,331	0	0	119	1,582

Other provisions comprise injury benefits.

£5,886,000 is included in the provisions of the NHS Litigation Authority at 31 March 2006 in respect of clinical negligence liabilities of the Trust (31 March 2005 £6,083,000).

17. Movements on reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve	Donated Asset Reserve	Income and Expenditure Reserve	Total
	£000	£000	£000	£000
At 1 April 2005 as previously stated	44,298	1,358	397	46,053
Prior Period Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
At 1 April 2005 as restated	44,298	1,358	397	46,053
Transfer from the income and expenditure account			20	20
Surplus on other revaluations/indexation of fixed assets	2,336	32		2,368
Receipt of donated/government granted assets		102		102
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated/government granted assets		(182)		(182)
Other transfers between reserves	(254)	254	0	0
At 31 March 2006	<u>46,380</u>	<u>1,564</u>	<u>417</u>	<u>48,361</u>

18. Notes to the cash flow statement

18.1 Reconciliation of operating surplus to net cash flow from operating activities:

	2005/06 £000	2004/05 £000
Total operating surplus (deficit)	2,760	4,123
Depreciation and amortisation charge	4,534	4,517
Transfer from donated asset reserve	(182)	(180)
(Increase)/decrease in stocks	24	(115)
(Increase)/decrease in debtors	(495)	(2,501)
Increase/(decrease) in creditors	4,886	1,540
Increase/(decrease) in provisions	(131)	(798)
	<hr/> 11,396	<hr/> 6,586
Net cash inflow/(outflow) from operating activities before restructuring costs	11,396	6,586
	<hr/> 11,396	<hr/> 6,586

18.2 Reconciliation of net cash flow to movement in net debt

	2005/06 £000	2004/05 £000
Increase/(decrease) in cash in the period	(3)	54
Change in net debt resulting from cashflows	(3)	54
Net debt at 1 April 2005	387	333
Net debt at 31 March 2005	<hr/> 384	<hr/> 387

18.3 Analysis of changes in net debt

	At 1 April 2005 £000	Other cash changes in year £000	At 31 March 2006 £000
OPG cash at bank	343	(58)	285
Commercial cash at bank and in hand	44	55	99
	<hr/> 387	<hr/> (3)	<hr/> 384

19. Capital commitments

This is not applicable.

20. Post balance sheet events

This is not applicable.

21. Contingencies

	2005/06	2004/05
	£000	£000
Contingent liabilities (gross value)	(85)	(31)
Amounts recoverable against contingent liabilities	57	20
Net value of contingent liabilities	<u>(28)</u>	<u>(11)</u>

The contingencies relate to provisions in respect of employer's liability cases.

22. Movement in Public Dividend Capital

	2005/06	2004/05
	£000	£000
Public Dividend Capital as at 1 April 2005	49,921	50,350
Public Dividend Capital repaid in year	(4,634)	(429)
Public Dividend Capital as at 31 March 2006	<u>45,287</u>	<u>49,921</u>

23. Financial performance targets

23.1 Breakeven performance

The trust's breakeven performance for 2005/06 is as follows:

	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Turnover	71,247	75,007	80,218	85,941	99,084	105,099	110,694	127,524	131,496
Retained surplus/(deficit) for the year	(1,062)	(485)	(1,433)	0	8	(988)	(3,400)	1,998	20
Adjustment for:									
- Timing/non-cash impacting distortions									
- Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	1,100	700	0	0	0	0	0	0	0
- 2000/01 Prior Period Adjustment (relating to 1997/98 to 1999/2000)	0	0	2,062						
Break-even in-year position	38	215	629	0	8	(988)	(3,400)	1,998	20
Break-even cumulative position	38	253	882	882	890	(98)	(3,498)	(1,500)	(1,480)
The Trust's recovery plan, approved by the SHA aims to achieve break-even in 2006/07. This should be the date of the financial year end e.g. 2006.									2007
Materiality test (i.e. is it equal to or less than 0.5%):									
- Break-even in-year position as a percentage of turnover	0.05%	0.29%	0.78%	0.00%	0.01%	(0.94%)	(3.07%)	1.57%	0.02%
- Break-even cumulative position as a percentage of turnover	0.05%	0.34%	1.10%	1.03%	0.90%	(0.09%)	(3.16%)	(1.18%)	(1.13%)

23.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £3,048,000, bears to the average relevant net assets of £93,014,663, that is 3.3%.

23.3 External financing

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

	£000	2005/06 £000	2004/05 £000
External financing limit		(4,631)	(463)
Cash flow financing	<u>(4,631)</u>		<u>(483)</u>
External financing requirement		<u>(4,631)</u>	<u>(483)</u>
Undershoot		<u><u>0</u></u>	<u><u>20</u></u>

23.4 Capital resource limit

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

	2005/06 £000	2004/05 £000
Gross capital expenditure	5,248	4,467
Less: donations towards the acquisition of fixed assets	<u>(102)</u>	<u>0</u>
Charge against the CRL	5,146	4,467
Capital resource limit	<u><u>5,146</u></u>	<u><u>4,467</u></u>
	<u><u>0</u></u>	<u><u>0</u></u>

24. Related party transactions

The Whittington Hospital 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 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. These entities are listed below:

	Income £'000	2004/05 £'000
Islington PCT	60,028	61,393
Haringey PCT	30,346	30,204
North Central London Strategic Health Authority	14,326	13,546

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the Trustees for which are also members of the NHS Trust Board.

25. Private finance transactions

This is not applicable.

26 Pooled budget

The Trust has a pooled budget arrangement with Islington PCT and the London Borough of Islington, hosted by the latter. The associated memorandum account is awaited from the London Borough of Islin

27 Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with local 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 the listed companies to which FRS 13 mainly applies. 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.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile. Provisions should be shown gross. Any amount expected in reimbursement against a provision (and included in debtors) should be separately disclosed.

Liquidity risk

The NHS Trust's net operating costs are incurred under annual service agreements with local Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust also largely finances its capital expenditure from funds made available from Government under an agreed borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

Interest-rate risk

All the Trust's financial assets and liabilities carry nil or fixed rates of interest. The Trust is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and liabilities:

27.1 Financial Assets

Currency	Total £000	Floating rate £000	Fixed rate £000	Non- interest bearing £000	Fixed rate		Non-interest bearing Weighted average term Years
					Weighted average interest rate %	Weighted average period for which fixed Years	
At 31 March 2006							
Sterling	1,486	0	1,486	0	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	1,486	0	1,486	0			
At 31 March 2005 (prior year)							
Sterling	1,449	0	1,449	0	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	1,449	0	1,449	0			

27.2 Financial Liabilities

Currency	Total £000	Floating rate £000	Fixed rate £000	Non- interest bearing £000	Fixed rate		Non-interest bearing Weighted average term Years
					Weighted average interest rate %	Weighted average period for which fixed Years	
At 31 March 2006							
Sterling	(47,812)	0	(2,525)	(45,287)	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	(47,812)	0	(2,525)	(45,287)			
At 31 March 2005 (prior year)							
Sterling	(52,235)	0	(2,314)	(49,921)	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	(52,235)	0	(2,314)	(49,921)			

Note: The public dividend capital is of unlimited term.

Foreign currency risk

The Trust has no/negligible foreign currency income or expenditure.

27.3 Fair Values

Set out below is a comparison, by category, of book values and fair values of the NHS Trust's financial assets and liabilities as at 31 March 2006.

	Book Value	Fair Value	Basis of fair valuation
	£000	£000	
Financial assets			
Cash	384	384	
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provis	1,486	1,486	Note a
Total	<u>1,870</u>	<u>1,870</u>	
Financial liabilities			
Creditors over 1 year:			
- Early retirements	2,260	2,260	Note b
Provisions under contract	217	217	Note d
Public dividend capital	(45,287)	(45,287)	Note e
Total	<u>(42,810)</u>	<u>(42,810)</u>	

Notes

- a These debtors reflect agreements with commissioners to cover creditors over 1 year for early retirements and provisions under contract, and their related interest charge/unwinding of discount. In line with notes c and e, below, fair value is not significantly different from book value.
- b Fair value is not significantly different from book value since interest at 9% is paid on early retirement creditors.
- c To obtain fair value, cash flows have been discounted at prevailing market interest rates for finance leases for a similar term.
- d Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 3.5% in real terms.
- e The figure here should be the full value of PDC in the balance sheet and 'book value' should equal 'fair value'.

28 Third party assets

The Trust held £10,992 cash at bank and in hand at 31 March 2006 (£16,898 at 31 March 2005) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

29 Intra-Government and other balances

	Debtors: amounts falling due within one year £000	Debtors: amounts falling due after more than one year £000	Creditors: amounts falling due within one year £000	Creditors: amounts falling due after more than one year £000
Balances with other Central Government Bodies	3,042	1,486	1,236	0
Balances with Local Authorities	124	0	621	0
Balances with NHS Trusts and Foundation Trusts	1,476	0	1,551	0
Balances with Public Corporations and Trading Funds	1	0	70	0
Balances with bodies external to government	3,038	697	12,540	0
At 31 March 2006	<u>7,681</u>	<u>2,183</u>	<u>16,018</u>	<u>0</u>
Balances with other Central Government Bodies	3,448	1,449	1,315	0
Balances with Local Authorities	93	0	43	0
Balances with NHS Trusts and Foundation Trusts	561	0	1,069	0
Balances with Public Corporations and Trading Funds	(46)	0	403	0
Balances with bodies external to government	3,158	706	7,523	0
At 31 March 2005 (prior year)	<u>7,214</u>	<u>2,155</u>	<u>10,353</u>	<u>0</u>

30 Losses and special payments

There were 41 cases of losses and special payments (2004/05: 83 cases) totalling £8,150 (2004/05: £57,631) paid during 2005/06.

Note: The total costs included in this note are on a cash basis and will not reconcile to the amounts in the notes to the accounts which are prepared on an accruals basis.