Agenda Item No. 63/04

West Hertfordshire Hospitals

From: Director of Finance

To: Trust Board – 1st July 2004

Subject: 2003/04 Annual Accounts

Action: For approval.

Attached are the un-audited Trust Accounts for 2003/04 which have been reviewed by the Audit Committee members. Also attached are the un-audited Charitable Funds accounts for 2003/04. Copies of these have been sent to the Charitable Funds Committee members for review.

Both sets of accounts are currently being audited and the Audit Commission will present the audited accounts, together with their findings, to a special Audit Committee on 21st July.

The Board is requested to approve the un-audited accounts, and to delegate authority to the Chairman of the Audit Committee to approve the audited accounts on behalf of the Board at the special Audit Committee.

2003-04 Annual Accounts of West Hertfordshire Hospitals NHS Trust STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

The Secretary of State has directed that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officers' Memorandum issued by the Department of Health.

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.

.....Date.....Chief Executive

2003-04 Annual Accounts of West Hertfordshire Hospitals NHS Trust STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the National Health Services Act 1977 to prepare accounts for each financial year. The Secretary of State, with the approval of the 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 of the trust for that period. In preparing those accounts, the directors are required to:

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

......Date.....Chief Executive

......Date......Finance Director

FOREWORD TO THE ACCOUNTS

WEST HERTFORDSHIRE HOSPITALS NHS TRUST

These accounts for the year ended 31 March 2004 have been prepared by the West Hertfordshire Hospitals 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. New requirements for 2003/04 are shown in italics.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 March 2004

	NOTE	£000	2002/03 £000
Income from activities:	2	100 103	170 525
Continuing operations	3	180,483	179,535
Other operating income			
Continuing operations	4	34,615	30,722
Operating expenses:			
Continuing operations	5-7	(209,805)	(191,326)
OPERATING SURPLUS (DEFICIT)			
Continuing operations		5,293	18,931
		0	0
Cost of fundamental reorganisation/restructuring	0	0	0
Profit (loss) on disposal of fixed assets	8	(915)	1,106
SURPLUS (DEFICIT) BEFORE INTEREST		4,378	20,037
Interest receivable		768	566
Interest payable	9	0	(10)
Other finance costs - unwinding of discount	16	(204)	(343)
Other finance costs - change in discount rate on provisions	16	(87)	0
SURPLUS (DEFICIT) FOR THE FINANCIAL YEAR		4,855	20,250
Public Dividend Capital dividends payable		(5,374)	(8,582)
RETAINED SURPLUS (DEFICIT) FOR THE YEAR		(519)	11,668

NOTE TO THE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 March 2004

	£000	2002/03 £000
Retained surplus/(deficit) for the year	(519)	11,668
Financial support included in retained surplus/(deficit) for the year	0	0
Retained surplus/(deficit) for the year excluding financial support	(519)	11,668

BALANCE SHEET AS AT 31 March 2004

	NOTE	£000	31 March 2003 £000
FIXED ASSETS	NOIE	2000	2000
Intangible assets	10	114	149
Tangible assets	11	167,671	161,060
Investments	14.1	0	0
	_	167,785	161,209
CURRENT ASSETS			
Stocks	12	2,755	2,661
Debtors	13	18,931	23,830
Investments	14.2	0	0
Cash at bank and in hand	18.3	122	159
		21,808	26,650
CREDITORS: Amounts falling due within one year	15	(19,450)	(15,096)
NET CURRENT ASSETS		2,358	11,554
TOTAL ASSETS LESS CURRENT LIABILITIES	-	170,143	172,763
CREDITORS: Amounts falling due after more than one year	15	0	0
PROVISIONS FOR LIABILITIES AND CHARGES	16	(6,186)	(6,532)
TOTAL ASSETS EMPLOYED	-	163,957	166,231
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital		135,567	144,228
Revaluation reserve	17	25,462	19,705
Donated Asset reserve	17	4,230	5,164
Government grant reserve	17	0	0
Other reserves	17	0	0
Income and expenditure reserve	17	(1,302)	(2,866)
TOTAL TAXPAYERS EQUITY	-	163,957	166,231

Signed:	(Chief Executive)
Date:	
Signed:	(Director of Finance)
Date:	

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 March 2004

	£000	2002/03 £000
Surplus (deficit) for the financial year before dividend payments	4,855	20,250
Fixed asset impairment losses	(5,112)	(6,565)
Unrealised surplus on fixed asset revaluations/indexation	13,195	21,571
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	169	1,415
Reductions in the donated asset and government grant reserve due to the depreciation, impairment and disposal of donated and government grant financed assets	(1,346)	(361)
Additions/(reductions) in "other reserves"	0	0
Total recognised gains and losses for the financial year	11,761	36,310
Prior period adjustment - Pre-95 early retirement - Other	0 0	(4,567) 0
Total gains and losses recognised in the financial year	11,761	31,743

CASH FLOW STATEMENT FOR THE YEAR ENDED

31 March 2004

OPERATING ACTIVITIES	NOTE	£000	2002/03 £000
Net cash inflow(outflow) from operating activities	18.1	20,019	(7,157)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE: Interest received Interest paid Interest element of finance leases		757 0 0	555 0 0
Net cash inflow/(outflow) from returns on investments and servicing of finance		757	555
CAPITAL EXPENDITURE Payments to acquire tangible fixed assets Receipts from sale of tangible fixed assets (Payments to acquire)/receipts from sale of intangible assets (Payments to acquire)/receipts from sale of fixed asset investments		(12,064) 5,323 0 0	(9,308) 2,175 0 0
Net cash inflow (outflow) from capital expenditure		(6,741)	(7,133)
DIVIDENDS PAID		(5,374)	(8,582)
Net cash inflow/(outflow) before management of liquid resources and financing		8,661	(22,317)
MANAGEMENT OF LIQUID RESOURCES			
Purchase of current asset investments Sale of current asset investments		0 0	0 0
Net cash inflow (outflow) from management of liquid resources		0	0
Net cash inflow (outflow) before financing		8,661	(22,317)
FINANCING			
Public dividend capital received Public dividend capital repaid (not previously accrued) Public dividend capital repaid (accrued in prior period) Loans received Loans repaid Other capital receipts Capital element of finance lease rental payments Cash transferred from/to other NHS bodies		7,373 (16,034) 0 0 0 0 0 0 0	24,102 (1,785) 0 0 0 0 0 0 0 0 0
Net cash inflow (outflow) from financing		(8,661)	22,317
Increase (decrease) in cash		0	0

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 2003/04 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 certain fixed assets at their value to the business by reference to their current costs. NHS Trust are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

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.

1.2 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 NHS 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 Intangible fixed assets

Intangible assets are capitalised when they are capable of being used in a Trust's activities for more the 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 \pounds 5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives.

1.5 Tangible fixed assets

Capitalisation

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

- individually have a cost of at least £5,000; or
- collectively have a cost of at least £5,000, 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

From 2003/04, the method of accounting for second hand assets, on acquisition, has been changed from disclosing gross cost and accumulated depreciation, to disclosing net acquisition cost. The Trust did not purchase any second hand assets during the year.

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

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 1999 as at the prospective valuation date of 1 April 2000.

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 scheduled for imminent closure and subsequent disposal.

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.

The Trust has no residual interests in off-balance sheet Private Finance Initiative Properties.

Operational equipment other than IT equipment, which is considered to have nil inflation, is valued at net current replacement costs 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 are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

Buildings and dwellings 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.

1.6 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.

1.7 Government Grants

The Trust has received no Government Grants.

1.8 Private Finance Initiative (PFI) transactions

The Trust has no current PFI contracts.

1.9 Stocks

Stocks 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.

1.10 Research and development

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

- 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.

1.11 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 significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 3.5% in real terms.

This is a change from the rate of 6% applied in 2002/03 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.

The Trust has entered into back to back arrangements with the Watford and Three Rivers Primary Care Trust covering £1m of the Trust's total provisions. Under arrangements establised under HSC 1999/146 the Trust is able to recover its full costs.

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 was transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2003/04 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.

1.12 Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the 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 total employer contribution payable in 2003/04 was £5,985,816 (£5,451,158 for 2002/03).

The notional surplus of the scheme is £1.1 billion as per the last scheme valuation by the Government Actuary for the

The Scheme is subject to a full valuation every four years (previously every five years). The last valuation took place as at 31 March 2003. 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 annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from The Stationery Office.

NHS bodies are directed by the Secretary of State to charge employers pension costs contributions to operating expenses as and when they become due. Employer contribution rates are reviewed every four years following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. At the last valuation (31 March 1999) on which contribution rates were based employer contribution rates for 2002/03 were set at 14% of pensionable pay (2002/03 - 7%). Until 2002/03 HM Treasury paid the Retail Price Indexation costs of the NHS Pension scheme direct but as part of the Spending Review Settlement, these costs have been devolved in full. For 2003/04 the additional funding has been retained as a Central Budget by the Department of Health and has been paid direct to the NHS Pensions Agency and the employers' contribution rate will rise to 14%. 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 three 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 payments of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and up to five times their annual pension for death after retirement, is payable.

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 can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

Additional pension liabilities arising from early retirements 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 Trust commits itself to the retirment, regardless of the method of payment.

FRS 17 has been fully adopted from 2003/04.

1.13 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.

1.14 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.

1.15 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.

1.16 Third Party Assets

Assets belonging to third parties (such as money held on behalf of Patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 28 to the accounts.

1.17 Leases

The Trust has no finance leases.

Operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

1.18 Dividend

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 assets in the course of construction, donated assets and cash with the Office of the Paymaster General. 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.

2 SEGMENTAL ANALYSIS

The Trust does not have more than one business segment, therefore the provisions of SSAP25 do not apply.

3. Income from Activities

		2002/03
	£000	£000
Strategic Health Authorities	0	23,063
NHS Trusts	0	0
Primary Care Trusts*	175,907	152,360
Local Authorities	0	0
Department of Health	0	0
Non NHS:		
- Private Patients	3,572	3,229
- Overseas patients (non-reciprocal)	165	0
- Road Traffic Act	763	812
- Other	76	71
	180,483	179,535

*Includes £376k to offset fixed asset impairments charged to operating expenses.

Road Traffic Act income is subject to a provision for doubtful debts of 6% to reflect expected rates of collection.

4. Other Operating Income

		2002/03
	£000	£000
Patient transport services	0	0
Education, training and research	11,559	10,403
Charitable and other contributions to expenditure	554	452
Transfers from donated asset reserve	1,346	361
Transfers from government grant reserve	0	0
Non-patient care services to other bodies	0	0
Other income	21,156	19,506
	34,615	30,722

5. Operating Expenses

5.1 Operating expenses comprise:

		2002/03
	£000	£000
Services from other NHS Trusts	6,873	6,060
Services from other NHS bodies	39	74
Purchase of healthcare from non NHS bodies	242	0
Directors' costs	617	606
Staff costs	132,040	118,667
Supplies and services		
- clinical	31,062	28,082
- general	6,576	6,303
Establishment	4,939	4,545
Transport	58	79
Premises	10,566	11,148
Bad debts	146	(72)
Depreciation and amortisation	7,088	6,385
Fixed asset impairments and reversals	376	0
Audit fees	267	229
Other auditor's remuneration	0	0
Clinical negligence	2,267	2,073
Pre-95 early retirements	0	0
Other	6,649	7,147
	209,805	191,326

Directors' costs above exclude non-voting directors who are included in staff costs. Directors' costs above include £0 for early retirements prior to 6/3/95. Staff costs above include £0 for early retirements prior to 6/3/95.

5.2 Operating leases

5.2/1 Operating expenses include:

	£000	2002/03 £000
Hire of plant and machinery Other operating lease rentals	0 1,247	0 1,404
	1,247	1,404

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

	Land and buildings		Other leases	
	£000	2002/03 £000	£000	2002/03 £000
Operating leases which expire:				
Within 1 year	0	0	576	143
Between 1 and 5 years	0	0	752	922
After 5 years	0	0	217	222
	0	0	1,545	1,287

5.3 Salary and Pension entitlements of senior managers

Under State 30Under State 30Under State 30Number 30State 30Partial State 30Non-State 30State 30	Name and Title		Age	Salary	Other Remuneration	Compensation for loss of office	Real increase in pension at age 60	Total accrued pension at age 60 at 31 March	Benefits in kind
Non-ExecutiveSo is 5 is 10000000R. burglasNon-Executive355-100<				(bands of £5000)	(bands of £5000)		(bands of £2500)		
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R. Allan Director of Human Resources 48 75-80 0 0 0-2.5 20-25 0 D. Law Director of Narsing 41 70-75 0 0 0-2.5 15-20 2 G. Etheridge Director of Narsing 41 70-75 0 0 0-2.5 15-20 2 H. Brokett-Jones Medical Director 48 115-120 25-30 0 0-2.5 0.5 0 200203 Director of Modernisation 47 70-75 0		Dimeter of Operation	25	75.90	0	0	0.25	10.15	2
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(comm Dec02)N. MarshallNon-Executive655-10000000B. SaundersNon-Executive525-10000000R ChabraNon-Executive410-50000000(left Nov'02)R. SandersonChairwoman4520-25000 <td< td=""><td>S. Namdarkhan</td><td>Non-Executive</td><td>64</td><td>5-10</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></td<>	S. Namdarkhan	Non-Executive	64	5-10	0	0	0	0	0
N. Marshall Non-Executive 65 5-10 0 0 0 0 0 B. Saunders Non-Executive 52 5-10 0 0 0 0 0 0 R. Chabra Non-Executive 41 0-5 0 0 0 0 0 0 R. Chabra Non-Executive 41 0-5 0 0 0 0 0 0 (left Nov02) Non-Executive 45 20-25 0 0 0 0 0 0 CHIEF EXECUTIVE/DIRECTORS		Non-Executive	37	0-5	0	0	0	0	0
B. Saunders Non-Executive 52 5-10 0 0 0 0 0 R Chabra Non-Executive 41 0-5 0 0 0 0 0 0 R Chabra Non-Executive 41 0-5 0 0 0 0 0 0 R Chabra Non-Executive 41 0-5 0		Non-Executive	65	5-10	0	0	0	0	0
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V. Harrison Chief Executive 46 105-110 0 0 0-2.5 0-5 0 K. Sharp Acting Dir of Finance 57 85-90 <	R. Sanderson	Chairwoman	45	20-25	0	0	0	0	0
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(left Oct'02)	V. Harrison	Chief Executive	46	105-110	0	0	0-2.5	0-5	0
M. Herd Director of Finance 48 30-35 0 0 2.5-5 20-25 0 (comm Nov'02)) N. Coomber Director of Operators 34 70-75 0 0 0-2.5 10-15 2 N. Coomber Director of Operators 34 70-75 0 0 0-2.5 10-15 2 (comm Apr'02) R. Allan Director of Human Resources 47 55-60 0 0 2.5-5 20-25 0 (comm Jun'02)		Acting Dir of Finance	57	85-90	0	0	0	0	0
N. Coomber Director of Operators 34 70-75 0 0 0-2.5 10-15 2 (comm Apr02)	M. Herd	Director of Finance	48	30-35	0	0	2.5-5	20-25	0
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D. Law Director of Planning 42 70-75 0 0 0-2.5 15-20 1 G. Etheridge Director of Nursing 40 45-50 0 0 5-7.5 15-20 2 (comm Jul'02) H. Borkett-Jones Medical Director 47 110-115 25-30 0 2.5-5 25-30 0	R. Allan	Director of Human Resources	47	55-60	0	0	2.5-5	20-25	0
G. Etheridge Director of Nursing 40 45-50 0 0 5-7.5 15-20 2 (comm Jul'02) H. Borkett-Jones Medical Director 47 110-115 25-30 0 2.5-5 25-30 0		D' () .	42	20.25	0	0	0.2.5	15.00	
(comm Jul'02) 47 110-115 25-30 0 2.5-5 25-30 0									
		Director of Nursing	40	45-50	0	U	5-7.5	15-20	2
A. Donkin Director of Modernisation 46 65-70 0 0 0 0-5 0	H. Borkett-Jones	Medical Director	47	110-115	25-30	0	2.5-5	25-30	0
	A. Donkin	Director of Modernisation	46	65-70	0	0	0	0-5	0

The Chief Executive left the Trust in April 2004. The gross costs of the compensation for loss of office were $\pounds 150k$ as shown above. Benefits in Kind - where shown relates to Lease Car Benefit.

For the purpose of this note, senior managers are defined as being the Chief Executive, Non-Executive Directors, Executive Directors and Non-Voting Directors.

6. Staff costs and numbers

6.1 Staff costs

		2002/03
	£000	£000
Salaries and wages	106,776	95,336
Social Security Costs	8,385	6,836
Employer contributions to NHSPA	5,986	5,451
Other pension costs	0	0
Agency and contract staff	11,458	11,601
Seconded-in staff	0	0
	132,605	119,224

Employee costs above exclude non-executive directors.

6.2 Average number of persons employed

	Total	Senior	Others	Staff on	Agency,	2002/03
		Managers		inward	temporary	
				secondment	and	
					contract	
					staff	
	Number	Number	Number	Number	Number	Number
Medical and dental	491	0	442	0	49	481
Ambulance staff	0	0	0	0	0	0
Administration and estates	1,057	8	987	0	62	1,016
Healthcare assistants & other support staff	626	0	557	0	69	473
Nursing, midwifery & health visiting staff	1,361	0	1,131	0	230	1,346
Nursing, midwifery & health visiting learners	7	0	7	0	0	6
Scientific, therapeutic and technical staff	519	0	519	0	0	497
Social care staff	0	0	0	0	0	0
Other	25	0	21	0	4	75
Total	4,086	8	3,664	0	414	3,894

Senior managers are as defined in note 5.3

The NHS Manual for Accounts requires staff numbers to be calculated as an average of each weekly establishment. The Trust calculates its staff numbers based upon an average of each monthly establishment.

6.3 Employee benefits

£000	2002/03 £000
0	0
0	0

6.4 Management costs

	£000	2002/03 £000
Management costs	9,192	8,615
Income	215,098	210,257

Management costs are as defined in the document 'NHS Management Costs 2002/03' which can be found on the internet at http://www.doh.gov.uk/managementcosts.

6.6 Retirements due to ill-health

During 2003/04 (prior year 2002/03) there were 6 (9) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be $\pounds 145k$ ($\pounds 269k$). The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

7. Public Sector Payment Policy

7.1 Better Payment Practice Code - measure of compliance

	Number	£000
Total bills paid in the year	78,614	63,622
Total bills paid within target	74,014	58,745
Percentage of bills paid within target	94.15%	92.33%

The Better Payment Practice Code requires the Trust to aim to pay all valid non-NHS invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later. The Trust calculates its compliance with this code based upon the date the invoices are registered by the Trust.

7.2 The Late Payment of Commercial Debts (Interest) Act 1998	£000	2002/03 £000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation.	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0

8. Profit (Loss) on Disposal of Fixed Assets

Profit/loss on the disposal of fixed assets is made up as follows:

		2002/05
	£000	£000
Profit on disposal of intangible fixed assets	0	0
Loss on disposal of intangible fixed assets	0	0
Profit on disposal of land and buildings	42	1,210
Loss on disposal of land and buildings	(895)	0
Profits on disposal of plant and equipment	0	3
Loss on disposal of plant and equipment	(62)	(107)
	(915)	1,106

2002/03

Loss on disposal of land of buildings relates to the transfer of donated assets to the Hillingdon NHS Trust and there is a compensating entry in income.

9. Interest Payable

	£000	2002/03 £000		
Finance leases Other	0 0	0 10		
	0	10		

10. Intangible Fixed Assets

	Software Licences £000	Licenses & trademarks £000	Patents £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2003	172	0	0	0	172
Indexation				0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluation	0	0	0	0	0
Additions - purchased	0	0	0	0	0
Additions - donated/government granted	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2004	172	0	0	0	172
Accumulated amortisation at 1 April 2003	23	0	0	0	23
Indexation				0	0
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluation	0	0	0	0	0
Provided during the year	35	0	0	0	35
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2004	58	0	0	0	58
Net book value					
- Purchased at 1 April 2003	149	0	0	0	149
- Donated at 1 April 2003	0	0	0	0	0
- Government granted at 1 April 2003	0	0	0	0	0
- Total at 1 April 2003	149	0	0	0	149
- Purchased at 31 March 2004	114	0	0	0	114
- Donated at 31 March 2004	0	0	0	0	0
- Government granted at 31 March 2004	0	0	0	0	0
- Total at 31 March 2004	114	0	0	0	114

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 and payments on account	Plant & Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2003	39,403	90,005	9,908	9,812	22,093	202	3,970	2,527	177,920
Additions - purchased	0	0	0	11,975	46	0	0	0	12,021
Additions - donated/government granted	0	0	0	84	85	0	0	0	169
Impairments	(532)	(4,617)	0	0	0	0	0	37	(5,112)
Reclassifications	0	9,607	87	(14,463)	3,061	14	1,416	278	0
Indexation	2,251	8,805	969	753	487	4	0	248	13,517
Other in year revaluation	0	0	0	0	0	0	0	0	0
Disposals	(800)	(5,370)	0	0	(2,536)	0	0	0	(8,706)
At 31 March 2004	40,322	98,430	10,964	8,161	23,236	220	5,386	3,090	189,809
Accumulated depreciation at 1 April 2003	0	0	0	0	14,517	91	2,252	0	16,860
Provided during the year	0	4,334	271	0	1,539	24	685	200	7,053
Impairments	376	0	0	0	0	0	0	0	376
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	321	2	0	0	323
Other in year revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(2,474)	0	0	0	(2,474)
Accumulated depreciation at 31 March 2004	376	4,334	271	0	13,903	117	2,937	200	22,138
Net book value									
- Purchased at 1 April 2003	39,403	88,340	9,908	9,122	4,826	67	1,710	2,520	155,896
- Donated at 1 April 2003	0	1,665	0	690	2,750	44	8	7	5,164
- Government Granted at 1 April 2003	0	0	0	0	0	0	0	0	0
Total at 31 March 2003	39,403	90,005	9,908	9,812	7,576	111	1,718	2,527	161,060
- Purchased at 31 March 2004	39,946	93,133	10,693	8,018	6,259	64	2,445	2,883	163,441
- Donated at 31 March 2004	0	963	0	143	3,074	39	4	7	4,230
- Government Granted at 31 March 2004	0	0	0	0	0	0	0	0	0
Total at 31 March 2004	39,946	94,096	10,693	8,161	9,333	103	2,449	2,890	167,671

11.1 Tangible Fixed Assets (contd)

Of the totals at 31 March 2004, £1,700k related to land valued at open market value and £0 related to buildings valued at open market value.

Net book value of assets held under finance leases and hire purchase contracts at the balance sheet date

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2004	0	0	0	0	0	0	0	0	0
At 31 March 2003	0	0	0	0	0	0	0	0	0

The total amount of depreciation charged to the income and expenditure in respect of assets held under finance leases and hire purchase contracts:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation 31 March 2004	0	0	0	0	0	0	0	0	0
Depreciation 31 March 2003	0	0	0	0	0	0	0	0	0

11.2 The net book value of land, buildings and dwellings at 31 March 2003 comprises:

£000 Freehold 144,735 Long leasehold 0 Short leasehold 0 TOTAL 144,735	31 March 2003 £000 139,316 0 0 139,316
12. Stocks	
£000	31 March 2003 £000
Raw materials and consumables 2,755	2,661
Work-in-progress0Finished goods0	0 0
2,755	2,661
13. Debtors £000	31 March 2003 £000
Amounts falling due within one year:	
NHS debtors9,562Provision for irrecoverable debts(225)	17,350 (105)
Other prepayments and accrued income 5,739	3,343
Other debtors 3,412	2,891
18,488	23,479
Amounts falling due after more than one year:	
NHS debtors 0	0
Provision for irrecoverable debts 0	0
Other prepayments and accrued income0Other debtors443	0 351
	551
443	351
18,931	23,830

NHS Debtors include £140k prepaid pension contributions at 31 March 2004 (£0 at 31 March 2003))

Other debtors falling due after more than one year of £443k (2002/03 £351k), relate to Road Traffic Accident cases.

14. Investments

14.1 Fixed asset investments

	Description £000	Description £000	Other £000	Total £000
Balance at 1 April 2003	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
Balance at 31 March 2004	0	0	0	0

14.2 Current asset investments

	Description £000	Description £000	Other £000	Total £000
Balance at 1 April 2003	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
Balance at 31 March 2004	0	0	0	0

15. Creditors

15.1 Creditors at the balance sheet date comprise:

-		31 March 2003
	£000	£000
Amounts falling due within one year:		
Bank overdrafts	122	159
Current instalments due on loans	0	0
Interest payable	0	0
Payments received on account	0	0
NHS creditors	4,344	2,298
Non - NHS trade creditors - revenue - other	2,286	4,254
Non - NHS trade creditors - capital	1,725	1,769
Tax and social security costs	94	20
Obligations under finance leases and hire purchase contracts	0	0
Other creditors	633	285
Accruals and deferred income	10,246	6,311
- -	19,450	15,096
Amounts falling due after more than one year:		
Long - term loans	0	0
Obligations under finance leases and hire purchase contracts	0	0
NHS creditors	0	0
Other	0	0
-	0	0
-	19,450	15,096

15.2 Loans and other long-term financial liabilities

	Total £000	31 March 2003 £000
Amounts falling due:		
In one year or less	0	0
Between one and two years	0	0
Between two and five years	0	0
Over 5 years	0	0
Total	0	0
	Total £000	31 March 2003 £000
Wholly repayable within five years	0	0
Wholly repayable after five years, not by instalments	0	0
Wholly or partially repayable after five years by instalments	0	0
Total	0	0

Loans and long-term financial liabilities wholly or partially repayable after five years:

		Value	
	Interest rate	outstanding	31 March 2003
	%	£000	£000
Terms of payment			

15.3 Finance lease obligations

Payable:	£000	31 March 2003 £000
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0 0	0 0
	0	0

15.4 Finance Lease Commitments

The Trust has no finance lease commitments.

16. Provisions for liabilities and charges

	Pensions relating to former directors	Pensions relating to other staff	Legal claims	Restructurings	Other	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2003 as previously stated	0	6,061	0	0	471	6,532
Prior Period Adjustments	0	0	0	0	0	0
At 1 April 2003, as restated	0	6,061	0	0	471	6,532
Change in the discount rate	0	0	0	0	87	87
Arising during the year - Other	0	164	0	0	141	305
Utilised during the year	0	(628)	0	0	(267)	(895)
Reversed unused	0	0	0	0	(47)	(47)
Unwinding of discount	0	191	0	0	13	204
At 31 March 2004	0	5,788	0	0	398	6,186

Expected timing of cashflows:

Within 1 year	0	644	0	0	42	686
1 - 5 years	0	3,279	0	0	146	3,425
Over 5 years	0	1,865	0	0	210	2,075

Pension provisions for early retirements are calculated for the full term and then discounted down to current values. Each year this discount is unwound resulting in a charge to the Income and Expenditure account.

The column headed "Other" refers to staff compensation, public liability and injury benefit claims.

£11,095k is included in the provisions of the NHS Litigation Authority at 31/3/04 in respect of clinical negligence liabilities of the Trust (31/3/2003 £14,332k).

17. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve	Donated Asset reserve	Government Grant reserve	Other reserves	Income and Expenditure reserve	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2003 as previously stated Prior Period Adjustments	19,705 0	5,164 0	0 0	0 0	(2,866) 0	(2,866) 0
At 1 April 2003, as restated	19,705	5,164	0	0	(2,866)	22,003
Transfer from the income and expenditure account	0	0	0	0	(519)	(519)
Fixed asset impairments	(5,112)	0	0	0	0	(5,112)
Surplus on other revaluations/indexation of fixed assets	12,952	243	0	0	0	13,195
Transfer of realised profits (losses) to the Income and Expenditure reserve	(970)	0	0	0	970	0
Receipt of donated/government granted assets	0	169	0	0	0	169
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated/government granted assets	0	(1,346)	0	0	0	(1,346)
Other transfers between reserves	(1,113)	0	0	0	1,113	0
Other reserve movements	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0
At 31 March 2004	25,462	4,230	0	0	(1,302)	28,390

18. Notes to the cash flow Statement

18. 1 Reconciliation of operating surplus to net cash flow from operating activities:

	£000	2002/03 £000
Total operating surplus (deficit)	5,293	18,931
Depreciation and amortisation charge	7,088	6,385
Fixed asset impairments and reversals	376	0
Transfer from donated asset reserve	(1,346)	(361)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	(94)	(198)
(Increase)/decrease in debtors	4,941	(9,159)
Increase/(decrease) in creditors	4,107	(27,213)
Increase/(decrease) in provisions	(346)	4,458
Net cash inflow/(outflow) from operating activities before restructuring costs	20,019	(7,157)
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow/(outflow) from operating activities	20,019	(7,157)

18.2 Reconciliation of net cash flow to movement in net debt

		2002/03
	£000	£000
Increase/(decrease) in cash in the period	0	0
Cash inflow from new debt	0	0
Cash outflow from debt repaid and finance lease capital payments	0	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cashflows	0	0
Non - cash changes in debt	0	0
Net debt at 1 April 2003	0	0
Net debt at 31 March 2004	0	0

18.3 Analysis of changes in net debt

	At 31 March 2004	Cash changes in year	Non-cash changes in year	At 1 April 2003
	£000	£000	£000	£000
OPG cash at bank	44	(30)	0	74
Commercial cash at bank and in hand	78	(7)	0	85
Bank overdrafts	(122)	37	0	(159)
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Finance leases	0	0	0	0
Current asset investments	0	0	0	0
	0	0	0	0

19. Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £1,791k (2002/03 £4,279k)

20. Post Balance Sheet Events

The Trust has no post balance events.

21. Contingencies

		2002/03
	£000	£000
		(10)
Gross Value	0	(40)
Amounts recoverable	0	0
Net contingent liability	0	(40)

The Trust has no contingent liabilities.

22. Movements in Government Funds

	£000	2002/03 £000
Surplus (deficit) for the financial year	4,855	20,250
Public dividend capital dividends	(5,374)	(8,582)
	(519)	11,668
Gains (losses) from revaluation/indexation of purchased fixed assets	7,840	14,777
New public dividend capital (cash receipt)	7,373	24,102
New public dividend capital (transfer from dissolved NHS trust)	0	0
Public dividend capital repaid	(16,034)	(1,785)
Public dividend capital repayable	0	0
Public dividend capital written off	0	0
Transfers from the Donated Asset reserve	0	0
Additions to/transfers from the Government Grant reserve	0	0
Additions (reductions) in other reserves	0	0
Net addition (reduction) in government funds	(1,340)	48,762
Opening government funds	161,067	112,305
Closing government funds	159,727	161,067

23. Financial Performance Targets

23.1 Breakeven performance

The trust's breakeven performance for 2003/2004 is as follows:

	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04
	£000	£000	£000£	£000	£000	£000	£000£
Turnover Retained surplus/(deficit) for the year Adjustment for:	0 0	0 0	0 0	163,440 17	173,576 (11,487)	210,257 11,668	215,098 (519)
 Timing/non-cash impacting distortions Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements] 1999/2000 Prior Period adjustment relating to 1997/98 and 1998/99 	0 0	0 0	0	0	0	0	0
 2000/01 Prior Period adjustment relating to 1997/98, 1998/99 and 1999/2000 2001/02 Prior Period adjustment relating to 1997/98, 1998/99, 1999/2000 and 2000/01 2002/03 Prior Period adjustment relating to 1997/98, 1998/99, 1999/2000, 2000/01 and 	0 0	0 0	0 0	0 0	0 0	0 0	0 0
2001/02 - 2003/04 Prior Period adjustment relating to 1997/98, 1998/99, 1999/2000, 2000/01, 2001/02 and 2002/03	0	0	0	0	0	0 0	0 0
Break-even in-year position Break-even cumulative position	0 0	0 0	0 0	17 17	(11,487) (11,470)	11,668 198	(519) (321)
Anticipated financial year of recovery Materiality test:							2004/05
- Break-even in-year position - Break-even cumulative position				0.01% 0.01%	-6.62% -6.61%	5.55% 0.09%	-0.24% -0.15%

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 $\pounds 5,374k$, bears to the average relevant net assets* of $\pounds 151,768k$, that is 3.5%.

Prior to 2003/04, the cost of capital rate was 6% of average relevant net assets. However, funding of NHS commissioners was changed at the time of change of the rate in such a way that the ability to meet the target was unaffected.

* The average relevant net assets calculation differs from 02/03 as no adjustment is made to the net relevant assets and associated creditors for government granted assets and loans and overdrafts.

23.3 External financing

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

	£000	£000£	2002/03 £000
External financing limit set by the Department of Health		(8,661)	22,317
Cash flow financing	(8,661)		22,317
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement		(8,661)	22,317
Undershoot (overshoot)	-	0	0

23.4 Capital Resource Limit

The Trust is given a Capital Resource Limit which it is not permitted to overspend

	2002/03
£000	£000
12,189	10,690
(6,232)	(1,069)
811	4
0	0
	12,189 (6,232) 811

24. Related Party Transactions

West Hertfordshire Hospitals 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 West Hertfordshire Hospitals.NHS Trust.

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
2003/04	£	£	£	£
CHAIRWOMAN				
ROSIE SANDERSON - HERTS COUNTY COUNCIL		68,400		68,400
HERTS POLICE AUTHORITY		2,100		
LONDON COLNEY PARISH COUNCIL		300		
ACTING DIRECTOR				
VINCENT DOHERTY - ACHARA CONSULTING LTD	29,610		9,870	
DIRECTORS	262			
DR. TROTMAN - COLON CANCER CONCERN	262	1 002 745		(70
- FRIENDS OF MICHAEL SOBELL HOUSE MR GAULT - EAR BUDDIES	140	1,003,745		678
DR. RUSTIN - CANCER TREATMENT & RESEARCH				
MR. CUSSONS and MR. SMITH - RAFT	37,857	1 201 490	C 105	110 700
MR. COSSONS and MR. SMITH - RAFT MR. KODATI - SHYAM EYE CARE	35,566	1,291,480	6,125	118,798
	103,950	200 555	17.000	11.000
MR. LIVINGSTONE - MEDICAL ADVISORY COMMITTEE, BUPA		329,555	17,200	11,080
M. SAUNDERS - PAUL STRICKLAND SCANNER CENTRE	317,684	1,586,218	14,248	
	543,810	4,281,797	47,443	198,956

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
2002/03	£	£	£	£
CHAIRWOMAN				
ROSIE SANDERSON - HERTS COUNTY COUNCIL	32,870	19,800		4,195
HERTS POLICE AUTHORITY		1,080		300
ACTING DIRECTOR				
KEN SHARP - BLACKETT SHARP ASSOCIATES	101,500			
<u>DIRECTORS</u> DR. RUSTIN - CANCER TREATMENT & RESEARCH TRUST	666			
DR TROTMAN - MICHAEL SOBELL HOUSE		405,631		34,979
- GLAXO SMITH KLINE	475			300
MR GAULT - EAR BUDDIES	358			
MR DYSON - ROYAL NATIONAL ORTHOPAEDIC HOSP	14,176	7,657		1,203
MR BRADNOCK - ORTHOSONICS LTD	124,251			
- CORIN MEDICAL LTD	87,661			
MR SMITH - STOKE MANDEVILLE HOSP POST GRAD	4,478			
MR. CUSSONS and MR. SMITH - RAFT	731	654,041		110,425
	367,166	1,088,209	0	151,402

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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 listed below:

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
2003/04	£	£	£	£
NHS EXECUTIVE				
HEALTH GENERAL CASH	14,035,000			
<u>TRUSTS</u> HILLINGDON HOSPITAL HERTS PARTNERSHIP	6,757,205	6,829,396 6,881,980	115,507 38,732	434,973 385,628
<u>PCT's</u> WATFORD & THREE RIVERS PCT BARNET PCT BRENT PCT		76,459,078 1,627,762 1,119,119	734,939	1,841,965 40,119 245,697
CHILTERN & SOUTH BUCKS PCT DACORUM		1,641,256 47,599,155	37,505	5,477 1,503,071
HARROW PCT HERTSMERE PCT LUTON PCT		4,245,216 16,394,217 3,212,678	155	177,405 777,878 200,608
HILLINGDON PCT READING PCT		8,686,638 1,279,956		2,727,382 88,029
ST. ALBANS & HARPENDEN PCT		40,557,250	105,964	703,837
<u>HEALTH AUTHORITIES</u> BEDS & HERTS STRATEGIC HEALTH AUTHORITY BEDS & HERTS WORKFORCE DEVELOPMENT		8,086,431 3,112,702	23,026	
NATIONAL BLOOD	1,034,963	5,112,702	97,657	29
NHS LOGISTICS	2,615,370		239,547	
OTHER BODIES CUSTOMS & EXCISE INLAND REVENUE	32,456,919	2,865,638		382,473
NHS PENSION AGENCY	10,262,357		1,285,843	
NHS LITIGATION AUTHORITY DEPARTMENT OF HEALTH	2,332,642	2,592,000	229,986	50
EASTERN REGION (ANGLIA SUPPORT PARTNERSH		5,902,000		
	69,494,455	239,092,471	2,908,860	9,514,620
	Payments to Related Party	Receipts from Related Party	Amounts owed to Related	Amounts due from Related Party
2002/03	£	£	Party £	£
<u>NHS EXECUTIVE</u> HEALTH GENERAL CASH	10,367,000	24,102,000		
	10,507,000	21,102,000		
<u>TRUSTS</u> HILLINGDON HOSPITAL	7,311,114	2,472,976	124,374	355,471
NORTH WEST LONDON	2,893,938	8,371,739	222,273	573,924
PCT'S WATFORD & THREE RIVERS PCT BARNET PCT	1,355,597	131,099,220 1,448,886	35,290	6,818,395 11,737
CHILTERN & SOUTH BUCKS PCT DACORUM		1,445,693		17,899 3,615,071
HARROW PCT		5,412,597		129,905
HERTSMERE PCT LUTON PCT		2,255,245 2,907,073	5,586	924,540 108,195
HILLINGDON PCT		13,173,828		255,493
READING PCT ST. ALBANS & HARPENDEN PCT		1,088,516 1,015,963	231,124	6,832 2,775,488
HEALTH AUTHORITIES				
BEDS & HERTS STRATEGIC HEALTH AUTHORITY	20,700,000	57,788,508	182,570	239,375
NATIONAL BLOOD NHS LOGISTICS	2,250,565 3,873,569		175,890 134,939	
OTHER BODIES	5,015,507	2 074 720	137,737	
CUSTOMS & EXCISE INLAND REVENUE	31,353,200	3,074,739	19,988	174,537
NHS PENSION AGENCY	12,394,563		232,458	

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 Page 31

25. Private Finance Transactions

The Trust has not entered into any PFI transactions.

25.1 'Service' element of PFI schemes deemed to be on-balance sheet

The Trust has not entered into any PFI transactions.

26. Pooled Budget Project

The Trust has no Pooled Budget Projects.

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.

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 limit. The Trust is not, therefore, exposed to significant liquidity risks.

Interest-Rate Risk

89% of the Trust's financial assets and 99% of its financial 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

					Fixed	Non-interest bearing	
	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average interest rate	Weighted average period for which	Weighted average term
Currency				0		fixed	
	£000	£000	£000	£000	%	Years	Years
At 31 March 2004							
Sterling	122	122	0	0	0%	0	0
Other	967	0	967	0	4%	8	0
Gross financial assets	1,089	122	967	0			
At 31 March 2003 (prior year)							
Sterling	159	159	0	0	0%	0	0
Other	1532	0	1,532	0	6%	9	0
Gross financial assets	1,691	159	1,532	0			

27.2 Financial Liabilities

					Fixed	Non-interest bearing	
	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average interest rate	Weighted average period for which	Weighted average term
Currency	£000	£000	£000	£000	%	fixed Years	Years
At 31 March 2004							
Sterling	122	122	0	0	0%	0	0
Other	141,850	0	6,283	135,567	4%	8	0
Gross financial liabilities	141,972	122	6,283	135,567			
At 31 March 2003 (prior year)							
Sterling	159	159	0	0	0%	0	0
Other	161,260	0	6,532	154,728	6%	9	1
Gross financial liabilities	161,419	159	6,532	154,728			

The Trust's non-interest bearing financial liabilities comprise of provisions for early retirement liabilities and public dividend capital. The public dividend capital is of unlimited term. The Trust has repaid £16,034k of PDC in 2003/04 (£1,785k in 2002/03). Of this amount £10,500k (£0 in 2002/03) related to repayment of brokerage, £4,559k (£0 in 2002/03) related to the transfer of assets to The Hillingdon Hospital NHS Trust and £975k (£0 in 2002/03) related to the funding of impairments.

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 2004.

	Book Value	Fair Value	Basis of fair valuation
	£000s	£000s	
Financial assets			
Cash	122	122	
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provisions	967	967	Note a
Investments	0	0	
Total	1,089	1,089	
Financial liabilities			
Overdraft	(122)	(122)	
Creditors over 1 year:			
- Early retirements	(97)	(97)	Note b
- Finance leases	0	0	
Provisions under contract	(6,186)	(6,186)	Note c
Loans	0	0	
Public dividend capital	(135,567)	(135,567)	
Total	(141,972)	(141,972)	

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 b and c, 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 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.

28 Third Party Assets

The Trust held $\pounds 2k$ cash at bank and in hand at 31/03/04 ($\pounds 7k$ - Prior Year) 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.