

Department of Health, Social Services and Public Safety

Southern Health and Social Services Board Trust Accounts

For the year ended 31 March 2005

*Laid before the Houses of Parliament
by the Department of Health, Social Services and Public Safety in accordance
with Paragraph 12(2) and (4) of the Schedule to the Northern Ireland Act 2000 and Article
2(10) of the Northern Ireland Act 2000 (Prescribed Documents) Order 2004*

5th February 2007

*Laid before the Northern Ireland Assembly
by the Department of Health, Social Services and Public Safety
under Article 90(5) of the Health and Personal Social Services (NI) Order 1972
(as amended by the Audit and Accountability Order 2003)*

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**ARMAGH AND DUNGANNON HSS TRUST
ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2005**

**ARMAGH AND DUNGANNON HSS TRUST
YEAR ENDED 31 MARCH 2005**

FOREWORD

These accounts for the year ended 31 March 2005 have been prepared in accordance with Article 90(2)(a) of the Health and Personal Social Services (Northern Ireland) Order 1972, as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003, in a form directed by the Department of Health, Social Services and Public Safety.

STATEMENT OF ARMAGH AND DUNGANNON HSS TRUST'S RESPONSIBILITIES AND CHIEF EXECUTIVE'S RESPONSIBILITIES.

Under the Health and Personal Social Services (Northern Ireland) Order 1972 (as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003), the Armagh and Dungannon HSS Trust is required to prepare financial statements for each financial year in the form and on the basis determined by the Department of Health, Social Services and Public Safety. The financial statements are prepared on an accruals basis and must provide a true and fair view of the state of affairs of the Trust, of its income and expenditure and cash flows for the financial year.

In preparing the financial statements the Trust is required to:

- observe the accounts direction issued by the Department of Health, Social Services and Public Safety including relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- make judgements and estimates on a reasonable basis.
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements.
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Trust will continue in operation.
- keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust.
- pursue and demonstrate value for money in the services the Trust provides and in its use of public assets and the resources it controls.

The Permanent Secretary of the Department of Health, Social Services and Public Safety as Accounting Officer for health and personal social services resources in Northern Ireland has designated Miss P Stanley of Armagh and Dungannon Health and Social Services Trust as the Accountable Officer for the Trust. Her relevant responsibilities as Accountable Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the Accountable Officer Memorandum, issued by the Department of Health, Social Services and Public Safety. The Accountable Officer is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

CERTIFICATES OF DIRECTOR OF FINANCE, CHAIRMAN AND CHIEF EXECUTIVE

I certify that the annual accounts set out in the financial statements and notes to the accounts (pages 14 to 60) which I am required to prepare on behalf of the Armagh and Dungannon Health and Social Services Trust have been compiled from and are in accordance with the accounts and financial records maintained by the Trust and with the accounting standards and policies for HSS Trusts approved by the DHSSPS.

S McNally.....Director of Finance
9 June 2005.....Date

I certify that the annual accounts set out in the financial statements and notes to the accounts (pages 14 to 60) as prepared in accordance with the above requirements have been submitted to and duly approved by the Board.

D Dorman.....Chairman
3 August 2005.....Date

P StanleyChief Executive
3 August 2005Date

STATEMENT ON INTERNAL CONTROL FOR THE FINANCIAL YEAR 2004/2005

Scope of Responsibility

The Board of Armagh and Dungannon Health and Social Services Trust is accountable for internal control. As Accountable Officer and Chief Executive of the Board of Armagh and Dungannon Health and Social Services Trust, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the organisation, and for reviewing the effectiveness of the system.

Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, and to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Armagh and Dungannon Health and Social Services Trust for the year ended 31 March 2005, and up to the date of approval of the annual report and accounts, and accords with Department of Finance and Personnel guidance.

The Board exercises strategic control over the operation of the organisation through a system of corporate governance which includes:-

- a schedule of matters reserved for Board decisions;
- a scheme of delegation, which delegates decision making authority within set parameters to the Chief Executive and other officers;
- standing orders and standing financial instructions, the establishment of an audit committee.

The system of internal financial control is based on a framework of regular financial information, administrative procedures including the segregation of duties and a system of delegation and accountability. In particular it includes:-

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the board;
- regular reviews by the board of periodic annual financial reports which indicate financial performance against the forecast;
- setting targets to measure financial and other performances;
- clearly defined capital investment control guidelines;
- as appropriate, formal budget management disciplines.

The Armagh and Dungannon HSS Trust has an internal audit function which operates to defined standards and whose work is informed by an analysis of risk to which the body is

exposed and annual audit plans are based on this analysis. In 2004-05 Internal Audit reviewed the following systems:

- Governance – Compliance with Standard
- Controls Assurance:
 - Decontamination of Reusable Medical Devices
 - Fire Safety
 - Health and Safety
 - Human Resources
 - Infection Control
 - ICT
- Risk Management – Compliance with Standard and Review of Registers
- ICT :
 - Management Issues
- Financial Management:
 - Review of Compliance with Standard
 - Treasury Management
 - Losses and Compensation Payments
 - Financial Ledger
 - Capital Investment
 - Payroll
 - Staff Travel and Subsistence Claims
 - Residents' Private Property – Elderly Persons' Homes
 - Residents' Private Property – Young Persons' Homes
 - Non-Pay Expenditure – Service and Procurement Contracts
 - Creditor Payments
 - Central Debtors System
 - Cash Balances
 - Income and Cash Handling at Facilities
- Other Systems/Activities:
 - Care Management – Domiciliary and Direct Payments Scheme

In his annual report, the Internal Auditor reported that the Armagh and Dungannon HSS Trust's system of internal control was adequate. In two of the systems examined he gave partial assurance as to the level of control due to there being a number of moderate risk issues. The recommendations of the Internal Auditor were considered by the Audit Committee. The Audit Committee was pleased to note that no high risk issues were reported. The recommendations were fully accepted by management and action has been/or will be undertaken to action identified improvements.

With regard to the wider control environment the Armagh and Dungannon HSS Trust has in place a range of organisational controls, commensurate with the current assessment of risk, designed to ensure the efficient and effective discharge of its business in accordance with the law and departmental direction. Every effort is made to ensure that the objectives of the Armagh and Dungannon HSS Trust are pursued in accordance with the recognised and accepted standards of public administration.

The Armagh and Dungannon HSS Trust's recruitment and selection policies are based on the principle of equality of opportunity and controls are in place to ensure that all such decisions are taken in accordance with the relevant legislation.

With regard to estate management, decisions are taken within the context of an estate control plan, which prioritises management action based on an assessment of risk. The Trust regularly undertakes Firecode and Health & Safety compliance audits and has agreed a schedule of minimum investment over the coming year.

Capacity to handle risk

The Director of Personnel Services leads the risk management process across the Trust. A broad range of policies and procedures are in place for application by all staff and an extensive training programme continues in support of these arrangements.

The risk and control framework

Circular HSS (PPM) 5/2003 formally introduced HPSS Controls Assurance Standards and advised HPSS bodies that they would be required to assess and report their levels of compliance with Controls Assurance Standards on an annual basis, in support of this Statement on Internal Control (SIC). Fourteen standards were formally issued to the HPSS for 2004/05: three core standards of governance, financial management and risk management and eleven non-core standards of buildings, land, plant and non-medical equipment*, decontamination of medical devices, environmental management*, fire safety, health and safety, human resources, infection control, information and communication technology, medical devices and equipment*, medicines management* and waste management*. SHSSB Internal Audit Department have been involved with Trust officers in reviewing and verifying Trust self assessments of the appropriate standards listed above.

The Armagh and Dungannon HSS Trust has developed a Risk Management Strategy, which has identified the organisation's objectives and risks and sets out a control strategy for each of the significant risks. Procedures have been put in place for verifying that aspects of risk management and internal control are regularly reviewed and reported and that risk management has been incorporated fully into the corporate planning and decision making processes of the organisation.

The Trust's Risk Management Strategy complies with Department of Health, Social Services and Public Safety guidance and ensures that the structures and processes across the Trust comply with internal control requirements. An independent review of these arrangements, with the exception of those marked with an asterisk, was carried out by Internal Audit and this has confirmed that the Trust complies with the Controls Assurance Standard on Risk Management and has a comprehensive risk management system in place. A risk register has been developed and procedures are in place to ensure that risk management is incorporated

fully into corporate planning and decision making processes of the Trust. During 2004/05 the Trust built on the work of the past year developing Directorate risk registers, the role of action plans and the strengthening of the monitoring and review processes across the Trust.

Review of Effectiveness

As Accountable Officer, I have responsibility for the review of effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Armagh and Dungannon HSS Trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and Audit Committee and a plan to address weaknesses and ensure continuous improvement to the system is in place.

Signature of Accountable Officer: P Stanley

Date: 3 August 2005

Armagh and Dungannon Health and Social Services Trust

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements on pages 14 to 60 under the Health and Personal Social Services (Northern Ireland) Order 1972 as amended. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 18 to 23.

Respective responsibilities of the Board Members, Chief Executive and Auditor

As described on page 6, the Board Members and Chief Executive are responsible for the preparation of the financial statements in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972 as amended and Department of Health, Social Services and Public Safety directions made thereunder and for ensuring the regularity of financial transactions. The Board Members and Chief Executive are also responsible for the preparation of the contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972 as amended and Department of Health, Social Services and Public Safety directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Trust has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 8 to 11 reflects the Trust's compliance with the Department of Health, Social Services and Public Safety's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Health, Social Services and Public Safety, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Chief Executive's statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant

to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board Members and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Armagh and Dungannon Health and Social Services Trust at 31 March 2005 and of the deficit, total recognised gains and losses and cash flows for the year ended and have been properly prepared in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972 as amended and directions made thereunder by the Department of Health, Social Service and Public Safety; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements

J M Dowdall CB
Comptroller and Auditor General
Date:
23 August 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

ARMAGH AND DUNGANNON HSS TRUST

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

| | NOTE | 2005 £000 | 2004 £000 |
|--|------|-----------------|-----------------|
| Income from Activities | 2 | 81,282 | 77,608 |
| Other Operating Income | 3 | 2,114 | 1,705 |
| Operating Expenses | 4,5 | <u>(81,651)</u> | <u>(77,985)</u> |
| OPERATING SURPLUS (DEFICIT) | | 1,745 | 1,328 |
| Profit/(loss) on disposal of Fixed Assets | 7 | <u>(24)</u> | <u>6</u> |
| SURPLUS (DEFICIT) BEFORE INTEREST | | 1,721 | 1,334 |
| Interest Receivable | | 199 | 261 |
| Interest Payable | 8 | <u>(981)</u> | <u>(1,038)</u> |
| SURPLUS (DEFICIT) FOR THE FINANCIAL YEAR | | 939 | 557 |
| Public Dividend Capital Dividends Payable | 15 | <u>(938)</u> | <u>(541)</u> |
| OPERATIONAL SURPLUS (DEFICIT) BEFORE PROVISIONS | | 1 | 16 |
| Provisions for Future Obligations | 9.1 | <u>(15)</u> | <u>6</u> |
| RETAINED SURPLUS (DEFICIT) FOR THE FINANCIAL YEAR | | <u>(14)</u> | <u>22</u> |
| BREAK EVEN POSITION | 21 | <u>1</u> | <u>16</u> |

The notes on pages 18 to 60 form part of these accounts.

All Income and Expenditure is derived from continuing activities.

ARMAGH AND DUNGANNON HSS TRUST

BALANCE SHEET AS AT 31 MARCH 2005

| | NOTE | 2005 | | 2004 | |
|--|------|-----------|----------------------|-----------|----------------------|
| | | £000 | £000 | £000 | £000 |
| FIXED ASSETS | | | | | |
| Intangible assets | 10 | | 0 | | 0 |
| Tangible assets | 11 | | <u>64,553</u> | | <u>48,337</u> |
| | | | 64,553 | | 48,337 |
| CURRENT ASSETS | | | | | |
| Stocks and work in progress | 12 | 141 | | 89 | |
| Debtors: Amounts falling due | | | | | |
| Within one year | 13 | 4,046 | | 4,301 | |
| After one year | 13 | 65 | | 33 | |
| Short term investments | 14 | 1,020 | | 1,129 | |
| Cash at bank and in hand | | <u>11</u> | | <u>11</u> | |
| | | | 5,283 | | 5,563 |
| CREDITORS: Amounts falling due within one year | 15 | | <u>(7,069)</u> | | <u>(6,499)</u> |
| NET CURRENT ASSETS (LIABILITIES) | | | <u>(1,786)</u> | | <u>(936)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 62,767 | | 47,401 |
| Creditors: Amounts falling due after more than one year | 15 | | (10,710) | | (11,401) |
| Provisions for Liabilities and Charges | 17 | | <u>(717)</u> | | <u>(872)</u> |
| TOTAL ASSETS EMPLOYED | | | <u>51,340</u> | | <u>35,128</u> |
| FINANCED BY: | | | | | |
| CAPITAL AND RESERVES | | | | | |
| Public dividend capital | 18 | | 16,014 | | 16,229 |
| Revaluation reserve | 19 | | 34,630 | | 18,208 |
| Donation reserve | 19 | | 403 | | 396 |
| Realised donation reserve | 19 | | 0 | | 0 |
| Other reserves | 19 | | 0 | | 0 |
| Income and expenditure reserve | 19 | | <u>293</u> | | <u>295</u> |
| | | | <u>51,340</u> | | <u>35,128</u> |

The notes on pages 18 to 60 form part of these accounts

I certify that the attached financial statements and annual report were approved by the Board of Directors on 3 August 2005

Signed: D Dorman (Chairman) Date: 3 August 2005

Signed: P Stanley (Chief Executive) Date: 3 August 2005

ARMAGH AND DUNGANNON HSS TRUST

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2005

| | 2005 | | 2004 | |
|--|---------------|----------------------|-----------|---------------------|
| | £000 | £000 | £000 | £000 |
| Surplus (Deficit) for the financial year | | 939 | | 557 |
| Provisions for future obligations | | <u>(15)</u> | | <u>6</u> |
| | | 924 | | 563 |
| Fixed asset impairment losses | | 0 | | 0 |
| Non donated Fixed Assets | | | | |
| Indexation of fixed assets | 3,570 | | 3,870 | |
| Unrealised Surplus (deficit) on revaluation of fixed assets | <u>12,649</u> | | <u>54</u> | |
| | | 16,219 | | 3,924 |
| Donated Assets | | | | |
| Additions to donated assets | 0 | | 0 | |
| Changes to donation reserve (except transfers to realised donation reserve) | <u>32</u> | <u>32</u> | <u>9</u> | <u>9</u> |
| Total recognised gains and losses relating to the year | | 17,175 | | 4,496 |
| Additions to Capital Assets Reserve | | <u>0</u> | | <u>0</u> |
| TOTAL GAINS/(LOSSES) RECOGNISED IN THE FINANCIAL YEAR | | <u><u>17,175</u></u> | | <u><u>4,496</u></u> |

ARMAGH AND DUNGANNON HSS TRUST

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

| | 2005 | | 2004 | |
|---|---------|--------------|---------|----------------|
| | £000 | £000 | £000 | £000 |
| Net Cash Inflow from Operating Activities (Note 29.1) | | 4,593 | | 2,644 |
| Returns on Investments and Servicing of Finance | | | | |
| Interest received | 199 | | 258 | |
| Interest paid | (983) | | (1,040) | |
| Interest element of finance lease rental payments | 0 | | 0 | |
| Net Cash (Outflow) Inflow from returns on Investments and Servicing of Finance | | (784) | | (782) |
| Capital Expenditure | | | | |
| Payments to acquire intangible fixed assets | 0 | | 0 | |
| Receipts from sales of intangible fixed assets | 0 | | 0 | |
| Payments to acquire tangible fixed assets | (2,695) | | (1,913) | |
| Receipts from sale of tangible fixed assets | 9 | | 6 | |
| Net Cash Inflow (Outflow) from Capital Expenditure | | (2,686) | | (1,907) |
| Dividends Paid | | (541) | | (1,518) |
| Management of Liquid Resources | | | | |
| Purchase of current asset investments | 0 | | 0 | |
| Sale of current asset investments | 0 | | 0 | |
| Net Cash Inflow (Outflow) from Management of Liquid Resources | | 0 | | 0 |
| Net Cash Inflow (Outflow) before Financing | | 582 | | (1,563) |
| Financing | | | | |
| New money capital reserve | 0 | | 0 | |
| New public dividend capital | 0 | | 0 | |
| New long-term loans – Government | 0 | | 0 | |
| New long-term loans – Others | 0 | | 0 | |
| New short-term loans – Government | 0 | | 0 | |
| New short-term loans – Others | 0 | | 0 | |
| Repayment of loans – Government | (691) | | (691) | |
| Repayment of Public Dividend Capital | 0 | | 0 | |
| Capital element of finance lease rental payments | 0 | | 0 | |
| Net Cash Inflow (Outflow) from Financing | | (691) | | (691) |
| Increase (Decrease) in Cash (Notes 29.2 and 3) | | <u>(109)</u> | | <u>(2,254)</u> |

The notes on pages 58 and 59 form part of this statement

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

1.1 Authority

These accounts have been prepared in a form determined by the Department of Health, Social Services and Public Safety in accordance with the requirements of Article 90(2)(a) of the Health and Personal Social Services (Northern Ireland) Order 1972 No 1265 (NI 14) as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003.

1.2 Accounting Convention

These accounts have been prepared under the historical cost convention as modified by the indexation and revaluation of tangible fixed assets.

1.3 Basis of Preparation of Accounts

The accounts have been prepared in accordance with the 2004/05 HPSS Trust Manual of Accounts issued by the Department of Health, Social Services and Public Safety.

The accounting policies contained in that Manual follow UK generally accepted accounting practice (UK GAAP) to the extent that it is meaningful and appropriate to HPSS Trusts. The accounting policies are selected in accordance with the principles set out in FRS 18 “Accounting Policies” as the most appropriate for giving a true and fair view. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The principal variations between UK GAAP and the accounting policies directed by the Department of Health, Social Services and Public Safety are:

Paragraph 20 of Financial Reporting Standard 3 “Reporting Financial Performance” requires certain items of expenditure to be separately disclosed in the income and expenditure account after operating surplus/(deficit). These expenditure items do not include the costs associated with provision for liabilities and charges which are normally included within the calculation of the operating surplus/(deficit). However, as the Department measures the operating performance of Trusts by reference to the operating surplus/(deficit) excluding the impact of certain provisions, the income and expenditure account is presented to disclose the operating surplus/(deficit) before provisions for future obligations.

Financial Reporting Standard 15 “Tangible Fixed Assets” requires impairment losses on revalued fixed assets to be recognised in the statement of total recognised gains and losses until the carrying value of the asset falls below depreciated historic cost, at which stage any further impairments are recognised in the income and expenditure account.

However, where an impairment arises due to consumption of economic benefits FRS 15 requires the loss to be recognised in the income and expenditure account in its entirety.

In the context of their capital accounting HSS Trusts take those impairment losses resulting from short term changes in price that are considered to be recoverable, 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.

1.4 Intangible fixed assets

Intangible fixed 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 (either individually or as a grouped asset).

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 (either individually or as a grouped asset). 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 they:

- individually have a cost of at least £5,000; OR
- they satisfy the criteria of a grouped assets i.e. collectively have a cost of at least £5,000, are functionally interdependent, broadly simultaneous purchase dates, and anticipated to have simultaneous disposal dates, under single managerial control and have an individual cost of £1,000 ; 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.

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 FRS 15 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 Valuations and Land Agency. 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, Social Services and Public Safety. In accordance with the requirements of the Department, asset valuations were undertaken in 2004/05 as at the valuation date of 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 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.

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 a 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 Trusts 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.

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 Research and development

Research and development expenditure is charged against income in the year in which it is incurred, except in so far as development expenditure relates to a clearly defined project and the benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project.

1.8 Private Finance Initiative (PFI) transactions

The HPSS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides definitive guidance for the application of the FRS 5 Amendment.

PFI schemes are schemes under which the PFI operator receives an annual payment from the Trust for the services provided by the PFI operator.

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.

1.9 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.

1.10 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 adjusted using the Treasury's discount rate of 3.5% in real terms.

Provisions for clinical negligence are recognised only where it is more probable than not that a settlement will be required.

1.11 Clinical negligence central fund

A Clinical Negligence Central Fund was established in 1998 to manage the payment of clinical negligence settlements. HSS Trusts are reimbursed by the Central Fund for payments made. Reimbursements are accounted for as income.

The reimbursements from the Central Fund in respect of clinical negligence liabilities and provisions are included within debtors.

1.12 Pensions

The Trust participates in the HPSS Superannuation Scheme. Under this multi-employer defined benefit scheme both the Trust and employees pay specified percentages of pay into the scheme and the liability to pay benefit falls to the DHSSPS. The Trust is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and

reliable basis. Further information regarding the HPSS Superannuation Scheme can be found in the HPSS Superannuation Scheme Statement in the Departmental Resource Account for the Department of Health, Social Services and Public Safety.

The costs of early retirements are met by the Trust and charged to the Income and Expenditure Account at the time the Trust commits itself to the retirement.

1.13 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 31 to the accounts.

1.14 Leases

Assets held under finance leases are capitalised at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is subject to indexation and revaluation and is depreciated on its current fair value over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of interest on the outstanding balance. Rentals under operating leases are charged to the Income and Expenditure Account in the year in which they arise.

1.15 Losses

This note (Note 27) is a memorandum statement unlike most notes to the accounts which provide further detail of figures in the primary accounting statements. Most of the contents will be included in operating expenses.

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

2. Income from Activities

| | 2005 | 2004 |
|---|---------------|---------------|
| | £000 | £000 |
| NI Health and Social Services Boards | 75,881 | 71,782 |
| GB/Republic of Ireland Health Authorities | 0 | 0 |
| General Practice Fundholders | 0 | 0 |
| HSS Trusts | 371 | 361 |
| Non-HPSS: | | |
| - private patients | 1 | 1 |
| - other | 8 | 6 |
| Clients contributions | 5,021 | 5,458 |
| Total | 81,282 | 77,608 |

3. Other Operating Income

| | 2005 | 2004 |
|--|--------------|--------------|
| | £000 | £000 |
| Patient transport services | 0 | 0 |
| Other income from non-patient services | 1,234 | 1,181 |
| NICPMDE | 102 | 99 |
| SUMDE | 8 | 7 |
| Charitable and other contributions to expenditure | 0 | 0 |
| - Transfers from the donation reserve in respect of depreciation on donated assets | 25 | 27 |
| Income in respect of fixed asset impairments | 215 | 0 |
| Clinical Negligence Central Fund | 132 | 144 |
| Reversal of fixed asset impairments (specify) | 0 | 0 |
| Other income - Supporting People Income, Social Services Income, Health Promotion Income | 398 | 247 |
| Total | 2,114 | 1,705 |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

4. Operating Expenses

4.1 Operating Expenses are as follows:-

| | 2005 | 2004 |
|---|---------------|---------------|
| | £ | £ |
| Salaries and wages (excluding board members' remuneration) | 43,894 | 40,076 |
| Executive Board members remuneration | 428 | 421 |
| Non-executive Board members remuneration | 50 | 45 |
| Supplies and services - clinical | 689 | 955 |
| Supplies and services - general | 1,299 | 1,328 |
| Establishment | 2,450 | 2,291 |
| Transport | 674 | 605 |
| Premises | 3,723 | 6,220 |
| Bad debts | 29 | (2) |
| Depreciation and amortisation | 1,976 | 1,710 |
| Fixed asset impairments | 215 | 7 |
| Purchase of care from non-HPSS bodies and grants to voluntary organisations | 5,281 | 4,811 |
| Personal social services | 18,106 | 16,691 |
| Recharges from other HPSS organisations | 587 | 302 |
| Clinical Negligence Payments: | | |
| - Provisions Utilised | 132 | 144 |
| - Other | 0 | 0 |
| Audit fees | 20 | 23 |
| Other auditors remuneration | 0 | 0 |
| Miscellaneous | 2,098 | 2,358 |
| Total | 81,651 | 77,985 |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

4.2 Operating Leases

Operating expenses include the following amounts in respect of hire and operating lease rentals:

| | 2005 £000 | 2004 £000 |
|-----------------------------|----------------------------|----------------------------|
| Hire of plant and machinery | 0 | 0 |
| Other operating leases | 0 | 0 |
| | <u>0</u> | <u>0</u> |

Commitments under non-cancellable operating leases are:

| | Land and buildings | | Other leases | |
|--------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2005 £000 | 2004 £000 | 2005 £000 | 2004 £000 |
| Operating leases which expire: | | | | |
| Within 1 year | 0 | 0 | 0 | 0 |
| Between 1 and 5 years | 0 | 0 | 0 | 0 |
| After 5 years | 0 | 0 | 0 | 0 |
| | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

NOTE 5.1

5.1 Staff Costs

| | Directly employed £000 | Other £000 | 2005 £000 | 2004 £000 |
|---|---------------------------------------|-----------------------|----------------------|----------------------|
| Salaries and Wages | 38,650 | 155 | 38,805 | 35,480 |
| Social security costs | 2,800 | 0 | 2,800 | 2,498 |
| Pension Costs for early retirement reflecting the single lump sum to buy over the full liability | 0 | 0 | 0 | 0 |
| Other pension costs | 2,289 | 0 | 2,289 | 2,098 |
| Early departure costs | 0 | 0 | 0 | 0 |
| Total | <u>43,739</u> | <u>155</u> | <u>43,894</u> | <u>40,076</u> |

Of the total, £0 has been charged to capital

5.2 Average Number of Employees

| | Directly employed No | Other No | 2005 No | 2004 No |
|----------------------------------|-------------------------------------|---------------------|--------------------|--------------------|
| Medical and dental | 37 | 1 | 38 | 35 |
| Nursing and Midwifery | 630 | 0 | 630 | 617 |
| Professions Allied to medicine | 108 | 0 | 108 | 96 |
| Ancillaries | 150 | 0 | 150 | 131 |
| Administrative and clerical | 305 | 3 | 308 | 284 |
| Ambulance staff | 0 | 0 | 0 | 0 |
| Works | 20 | 0 | 20 | 20 |
| Other Professional and technical | 0 | 0 | 0 | 0 |
| Social Services | 534 | 3 | 537 | 547 |
| Other | 6 | 0 | 6 | 7 |
| | <u>1,790</u> | <u>7</u> | <u>1,797</u> | <u>1,737</u> |

Figures refer to wholetime equivalents (WTEs) rather than individuals

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

NOTE 5 (Cond)

5.3 Senior Employees' Remuneration

The salary, pension entitlements and the value of any taxable benefits in kind of the most senior members of the Trust were as follows:

| Name | Salary, including Performance Pay £000 | Benefits in Kind (rounded to nearest £100) | Real increase in pension and related lump sum at age 60 £000 | Total accrued pension at age 60 and related lump sum £000 | CETV at 31/03/04 £000 | CETV at 31/03/05 £000 | Real increase in CETV £000 |
|------------------------------|--|--|--|---|-----------------------------|-----------------------------|-------------------------------------|
| Non-Executive Members | | | | | | | |
| D Dorman | 20 -25 | 0 | | | | | |
| A Irwin | 0 - 5 | 0 | | | | | |
| J Lennon | 5 -10 | 0 | | | | | |
| E McLoughlin | 5 -10 | 0 | | | | | |
| O Ross | 0 - 5 | 0 | | | | | |
| B Rowntree | 5 - 10 | 0 | | | | | |
| C Woods | 5-10 | 0 | | | | | |
| Executive Members | | | | | | | |
| P Stanley | 85 - 90 | 0 | 2.5 - 5.0 plus 7.5 - 10 lump sum | 35 - 40 plus 115 - 120 lump sum | 605 | 664 | 23 |
| C Cassidy | 20 - 25 | Consent to | disclosure | withheld | | | |
| E Hamilton | Consent to | disclosure | withheld | | | | |
| S McNally | Consent to | disclosure | withheld | | | | |
| A McVeigh | Consent to | disclosure | withheld | | | | |
| M C Rooney | Consent to | disclosure | withheld | | | | |
| Other Members | | | | | | | |
| H Ellis | Consent to | disclosure | withheld | | | | |
| P McCabe | Consent to | disclosure | withheld | | | | |
| K Toal | Consent to | disclosure | withheld | | | | |
| B Quinn | Consent to | disclosure | withheld | | | | |

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

O Ross ceased to act as Non-Executive member on the 31 July 2004 and A Irwin commenced on 1 August 2004.

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

The disclosure above in respect of C. Cassidy relates to his remuneration as Executive Director of the Trust.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the HPSS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

NOTE 5 (Contd)

5.4 Staff Benefits

| | 2005 | 2004 |
|--|-------------|-------------|
| | £000 | £000 |
| | 0 | 0 |
| | 0 | 0 |
| | <u>0</u> | <u>0</u> |

5.5 Trust Management Costs

| | 2005 | 2004 |
|------------------------|-------------|-------------|
| | £000 | £000 |
| Trust Management Costs | 3,956 | 3,760 |
| Total Income | 83,396 | 79,313 |
| % of total income | <u>4.7%</u> | <u>4.7%</u> |

The above information is based on the Audit Commission's definition "M2" Trust management costs, as detailed in HSS (THR) 2/99.

5.6 Retirements due to ill-health

During 2004/05 there were 10 early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £40k.

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

6.1 Public Sector Payment Policy - Measure of Compliance

The Department requires that Trusts pay their non HPSS trade creditors in accordance with the CBI Prompt Payment Code and Government Accounting Rules. The Trust's payment policy is consistent with the CBI prompt payment codes and Government Accounting rules and its measure of compliance is:

| | Number | 2005 £000 | Number | 2004 £000 |
|---------------------------------------|---------------|----------------------|---------------|----------------------|
| Total bills paid | 29,679 | 47,402 | 32,033 | 46,675 |
| Total bills paid within 30 day target | 24,394 | 43,998 | 27,675 | 43,284 |
| % of bills paid within 30 day target | 82.2% | 92.8% | 86.4% | 92.7% |

6.2 The Late Payment of Commercial Debts Regulations 2002

The amount included within Interest Payable (Note 8) arising from claims made by small businesses under this legislation is as follows :

| | |
|--------------|-------------|
| | £000 |
| Total | 0 |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

7. Profit (Loss) on Disposal of Fixed Assets

| | 2005 | 2004 |
|---|-------------|-------------|
| | £000 | £000 |
| Profit on disposal of intangible assets | 0 | 0 |
| Loss on disposal of intangible assets | 0 | 0 |
| Profit on disposal of land and buildings | 0 | 0 |
| Loss on disposal of land and buildings | (24) | 0 |
| Profit on disposal of plant and equipment | 7 | 6 |
| Loss on disposal of plant and equipment | (7) | 0 |
| | <hr/> | <hr/> |
| Total | (24) | 6 |
| | <hr/> <hr/> | <hr/> <hr/> |

8. Interest Payable

| | 2005 | 2004 |
|-----------------------------------|-------------|--------------|
| | £000 | £000 |
| Originating interest bearing debt | 981 | 1,038 |
| Further borrowing (government) | 0 | 0 |
| Further borrowing (other) | 0 | 0 |
| Finance leases | 0 | 0 |
| Other interest (Specify) | 0 | 0 |
| | <hr/> | <hr/> |
| Total | 981 | 1,038 |
| | <hr/> <hr/> | <hr/> <hr/> |

An amount of £24k is included within Note 9.3 for the unwinding of discount on provisions.

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

9.1 Provisions for Future Obligations

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Provisions in year: | | |
| Clinical Negligence | (21) | 159 |
| Pensions | 7 | 0 |
| Employers liability | 21 | (26) |
| Public (Occupiers) liability | 0 | 0 |
| Injury benefit | 0 | 0 |
| Accrued leave | 0 | 0 |
| Restructuring | (23) | (39) |
| Industrial Relations Cases | 0 | 0 |
| Other | 0 | 0 |
| | <hr/> | <hr/> |
| Arising during the year (net) (9.2) | (16) | 94 |
| Unwinding of Discount on Provisions (9.3) | 24 | 28 |
| Utilised in year (9.4) | (163) | (393) |
| Other (Specify) | 0 | 0 |
| | <hr/> | <hr/> |
| Movement in Year (subtotal) (note 17) | (155) | (271) |
| Reimbursements receivable (note 9.5) | 170 | 265 |
| | <hr/> | <hr/> |
| Total Increase/decrease (to Income and Expenditure Account) | 15 | (6) |
| | <hr/> <hr/> | <hr/> <hr/> |

9.2 Arising During the Year

| | 2005 £000 | 2004 £000 |
|---|----------------------------|----------------------------|
| Provided in year (note 17) | 221 | 289 |
| Provisions not required (reversed unused) (note 17) | (237) | (195) |
| | <hr/> | <hr/> |
| Total Provided in year (9.1) | (16) | 94 |
| | <hr/> <hr/> | <hr/> <hr/> |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

9.3 Unwinding of Discount on Provisions

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Unwinding of discount on Provisions is analysed as follows: | | |
| Clinical Negligence | 12 | 15 |
| Other | 12 | 13 |
| Total Unwinding of Discounts on Provisions (Note 9.1) | <u>24</u> | <u>28</u> |

9.4 Utilised in year

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Clinical Negligence (Note 17) | (132) | (144) |
| Pensions relating to other staff (note 17) | (13) | (13) |
| Restructuring (note 17) | 0 | 0 |
| Other (note 17) | (18) | (236) |
| Total Utilised (Note 9.4) | <u>(163)</u> | <u>(393)</u> |

9.5 Reimbursements Receivable

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Clinical Negligence Central Fund | 141 | (30) |
| Other - Legal Claims, Severance Costs | 29 | 295 |
| Total Reimbursements Receivable | <u>170</u> | <u>265</u> |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

10 Intangible Fixed Assets

| Cost or Valuation | Software licences £000 | Other licences and trademarks £000 | Patents £000 | Development Expenditure £000 | Total £000 |
|-----------------------------------|---------------------------------------|---|-------------------------|---|-----------------------|
| At 1 April 2004 | 0 | 0 | 0 | 0 | 0 |
| Indexation | 0 | 0 | 0 | 0 | 0 |
| Additions - purchased | 0 | 0 | 0 | 0 | 0 |
| Additions - donated | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 |
| Other Revaluation | | | | | |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| At 1 April 2005 | 0 | 0 | 0 | 0 | 0 |
| Depreciation | | | | | |
| At 1 April 2004 | 0 | 0 | 0 | 0 | 0 |
| Indexation | 0 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 | 0 |
| Revaluation | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 |
| Provided during the year | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2005 | 0 | 0 | 0 | 0 | 0 |
| Net Book Value | | | | | |
| At 31 March 2005 | 0 | 0 | 0 | 0 | 0 |
| - Purchased | 0 | 0 | 0 | 0 | 0 |
| - Donated | 0 | 0 | 0 | 0 | 0 |
| Total at 31 March 2005 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2004 | | | | | |
| - Purchased | 0 | 0 | 0 | 0 | 0 |
| - Donated | 0 | 0 | 0 | 0 | 0 |
| Total at 31 March 2004 | 0 | 0 | 0 | 0 | 0 |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

11. Tangible Fixed Assets

11.1 Tangible fixed assets comprise the following elements:

Purchased Assets

| Cost or Valuation | Land £000 | Buildings Installations and fittings £000 | Computer Equipment £000 | Other Equipment £000 | Assets under Construction £000 | Total £000 |
|-------------------------------|---------------|--|-------------------------------|----------------------------|--------------------------------------|---------------|
| At 1 April 2004 | 5,926 | 47,560 | 1,393 | 2,694 | 0 | 57,573 |
| Indexation | 313 | 3,814 | 0 | 58 | 0 | 4,185 |
| Additions | 103 | 1,059 | 232 | 261 | 320 | 1,975 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | (59) | (21) | (173) | 0 | (253) |
| National Revaluation Exercise | 11,703 | (8,580) | 0 | 0 | 0 | 3,123 |
| At 31 March 2005 | 18,045 | 43,794 | 1,604 | 2,840 | 320 | 66,603 |
| Depreciation | | | | | | |
| At 1 April 2004 | 0 | 7,358 | 810 | 1,464 | 0 | 9,632 |
| Indexation | 0 | 583 | 0 | 32 | 0 | 615 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | (35) | (17) | (167) | 0 | (219) |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Provided during the year | 0 | 1,620 | 166 | 165 | 0 | 1,951 |
| National Revaluation Exercise | 0 | (9,526) | 0 | 0 | 0 | (9,526) |
| At 31 March 2005 | 0 | 0 | 959 | 1,494 | 0 | 2,453 |
| Net Book Value | | | | | | |
| At 31 March 2005 | 18,045 | 43,794 | 645 | 1,346 | 320 | 64,150 |
| At 31 March 2004 | 5,926 | 40,202 | 583 | 1,230 | 0 | 47,941 |

Of the total net book value at 31 March 2005, £1,965k related to buildings, installations and fittings valued at open market value for alternative use.

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

Note 11.1 (Contd)

Donated Assets

| | Land | Buildings Installations and fittings | Computer Equipment | Other Equipment | Assets under Construction | Total |
|-------------------------------|----------|--|-----------------------|--------------------|------------------------------|------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | |
| At 1 April 2004 | 0 | 406 | 50 | 122 | 0 | 578 |
| Indexation | 0 | 32 | 0 | 4 | 0 | 36 |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| National Revaluation Exercise | 0 | 3 | 0 | 0 | 0 | 3 |
| | | | | | | |
| At 31 March 2005 | 0 | 441 | 50 | 126 | 0 | 617 |
| Depreciation | | | | | | |
| At 1 April 2004 | 0 | 50 | 25 | 107 | 0 | 182 |
| Indexation | 0 | 4 | 0 | 3 | 0 | 7 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversal of Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Provided during the year | 0 | 14 | 8 | 3 | 0 | 25 |
| National Revaluation Exercise | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |
| At 31 March 2005 | 0 | 68 | 33 | 113 | 0 | 214 |
| Net Book Value | | | | | | |
| At 31 March 2005 | 0 | 373 | 17 | 13 | 0 | 403 |
| At 31 March 2004 | 0 | 356 | 25 | 15 | 0 | 396 |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

11.2 Total Tangible Fixed Assets:

| | Purchased £000 | Donated £000 | Total £000 | 2004 £000 |
|--------------------------------------|-------------------|-----------------|---------------|---------------|
| Net book value: | | | | |
| Land | 18,045 | 0 | 18,045 | 5,926 |
| Buildings installations and fittings | 43,794 | 373 | 44,167 | 40,558 |
| Computer Equipment | 645 | 17 | 662 | 608 |
| Other Equipment | 1,346 | 13 | 1,359 | 1,245 |
| Assets under construction | 320 | 0 | 320 | 0 |
| Total | 64,150 | 403 | 64,553 | 48,337 |

11.3 The net book value of land and buildings comprises:

| | 2005 £000 | 2004 £000 |
|-----------------|---------------|---------------|
| Freehold | 61,290 | 46,089 |
| Long leasehold | 922 | 395 |
| Short leasehold | 0 | 0 |
| | <u>62,212</u> | <u>46,484</u> |

11.4 The net book value of assets held under finance leases and hire purchase contracts are as follows:

| | 2005 £000 | 2004 £000 |
|---------------------------------------|--------------|--------------|
| Land | 0 | 0 |
| Buildings, Installations and fittings | 0 | 0 |
| Equipment | 0 | 0 |
| Assets under construction | 0 | 0 |
| | <u>0</u> | <u>0</u> |

The total amount of depreciation charged in the Income and Expenditure Account in respect of assets held under finance leases and hire purchase contracts is £0 (2004 £0)

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

12. Stocks and Work in Progress

| | 2005 £000 | 2004 £000 |
|-------------------------------|----------------------------|----------------------------|
| Raw Materials and consumables | 141 | 89 |
| Work in progress | 0 | 0 |
| Finished goods | 0 | 0 |
| Total | 141 | 89 |

13. Debtors

| | 2005 £000 | 2004 £000 |
|--------------------------------------|----------------------------|----------------------------|
| Amounts falling due within one year: | | |
| HSS or NHS debtors | 2,016 | 1,493 |
| Clinical Negligence - Central Fund | 343 | 760 |
| Other debtors | 1,687 | 2,048 |
| Pension Prepayments | | |
| in respect of former directors | 0 | 0 |
| in respect of other staff | 0 | 0 |
| Other prepayments and accrued income | 0 | 0 |
| Sub Total | 4,046 | 4,301 |

The balances are net of a provision for bad debts of
£340k (2004 £311k)

| | | |
|---|--------------|--------------|
| Amounts falling due after more than one year: | | |
| HSS or NHS debtors | 59 | 7 |
| Clinical Negligence - Central Fund | 0 | 17 |
| Other debtors | 6 | 9 |
| Pension Prepayments | | |
| in respect of former directors | 0 | 0 |
| in respect of other staff | 0 | 0 |
| Other prepayments and accrued income | 0 | 0 |
| Sub Total | 65 | 33 |
| Total | 4,111 | 4,334 |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

14. Short-term Investments

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Government Securities | 0 | 0 |
| Other Approved Public Sector Organisations | 0 | 0 |
| Banking Deposits | 1,020 | 1,129 |
| Others (specify if in excess of £50,000) | <u>0</u> | <u>0</u> |
| Total | <u>1,020</u> | <u>1,129</u> |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

15. Creditors

15.1 Creditors: Amounts falling due within one year:

| | 2005 £000 | 2004 £000 |
|--|--------------|--------------|
| Bank overdrafts | 0 | 0 |
| Current instalments due on loans | 691 | 691 |
| Interest payable | 44 | 46 |
| Public dividend capital dividend payable | 938 | 541 |
| PDC payable in respect of impairments | 215 | 0 |
| Payments received on account | 0 | 0 |
| HPSS or NHS creditors and accruals | 779 | 254 |
| Non HPSS or NHS trade revenue creditors | 1,948 | 1,690 |
| Non HPSS or NHS trade capital creditors | 142 | 862 |
| Payroll creditors including taxation and social security | 1,587 | 1,688 |
| Net obligations under finance leases | 0 | 0 |
| Clinical Negligence | 0 | 0 |
| Pensions | | |
| - relating to former directors | 0 | 0 |
| - relating to other staff | 0 | 0 |
| Other accruals | 725 | 727 |
| Other creditors | 0 | 0 |
| Sub Total | 7,069 | 6,499 |

The accrual for Agenda for Change included above is £597,500

15.2 Creditors: Amounts falling due after more than one year:

| | | |
|---|---------------|---------------|
| Long Term Loans | 10,710 | 11,401 |
| Obligations under finance leases and hire purchase contracts | 0 | 0 |
| HPSS or NHS Creditors | 0 | 0 |
| Clinical Negligence | 0 | 0 |
| Pensions | | |
| - relating to former directors | 0 | 0 |
| - relating to other staff | 0 | 0 |
| Other | 0 | 0 |
| Sub Total | 10,710 | 11,401 |
| Total Creditors | 17,779 | 17,900 |

Pension creditors include £0 relating to payments due in future years under arrangements to buy out the liability for 0 early retirements over 5 years.

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

15.3 Finance lease obligations

The future minimum lease payments under finance leases to which the Trust was committed at the balance sheet date were as follows:

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Within one year | 0 | 0 |
| Between one and five years | 0 | 0 |
| After five years | <u>0</u> | <u>0</u> |
| Less finance charges allocated to future periods | <u>0</u> | <u>0</u> |
| | <u>0</u> | <u>0</u> |

This total net obligation under finance leases can be analysed as follows:

| | 2005 £000 | 2004 £000 |
|---|----------------------------|----------------------------|
| Creditors: amounts due within one year | 0 | 0 |
| Creditors: amounts due after more than one year | <u>0</u> | <u>0</u> |
| | <u>0</u> | <u>0</u> |

15.4 Public Dividend Capital Dividends

| | 2005 £000 | 2004 £000 |
|---|----------------------------|----------------------------|
| The dividend is in respect of Public Dividend Capital | 938 | 541 |
| | <u>938</u> | <u>541</u> |
| | <u>938</u> | <u>541</u> |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

16. Loans

| | Government Loans £000 | Other Loans £000 | 2005 £000 | 2004 £000 |
|----------------------------|--------------------------------------|---------------------------------|----------------------|----------------------|
| Amounts falling due: | | | | |
| In one year or less | 691 | 0 | 691 | 691 |
| Between one and two years | 691 | 0 | 691 | 691 |
| Between two and five years | 2,073 | 0 | 2,073 | 2,073 |
| In five years or more | 7,946 | 0 | 7,946 | 8,637 |
| Total | 11,401 | 0 | 11,401 | 12,092 |

| | Government Loans £000 | Other Loans £000 | 2005 £000 | 2004 £000 |
|---|--------------------------------------|---------------------------------|----------------------|----------------------|
| Wholly repayable within five years | 0 | 0 | 0 | 0 |
| Wholly repayable after five years, not by instalments | 0 | 0 | 0 | 0 |
| Wholly or partially repayable after five years by instalments | 11,401 | 0 | 11,401 | 12,092 |
| Total | 11,401 | 0 | 11,401 | 12,092 |

| | | | | |
|---|--------------|----------|--------------|--------------|
| Total Repayable after five years by instalments | 7,946 | 0 | 7,946 | 8,637 |
|---|--------------|----------|--------------|--------------|

Loans wholly or partially repayable after five years:

| Terms of payment | Interest Rate % | 2005 £000 | 2004 £000 |
|--------------------------|--------------------------------|----------------------|----------------------|
| Originating Capital Debt | 8.250 | 11,401 | 12,092 |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

17. Provisions for liabilities and charges

| | Pensions relating to former directors £000 | Pensions relating to other staff £000 | Clinical negligence £000 | Restructuring £000 | Other £000 | 2005 £000 | 2004 £000 |
|--------------------------|--|--|--------------------------------|-----------------------|---------------|--------------|--------------|
| Balance at 31 March 2004 | 0 | 185 | 484 | 0 | 203 | 872 | 1,143 |
| Arising during the year | 0 | 7 | 171 | 0 | 43 | 221 | 289 |
| Utilised during the year | 0 | (13) | (132) | 0 | (18) | (163) | (393) |
| Reversed unused | 0 | 0 | (192) | 0 | (45) | (237) | (195) |
| Unwinding of discount | 0 | 6 | 12 | 0 | 6 | 24 | 28 |
| At 31 March 2005 | 0 | 185 | 343 | 0 | 189 | 717 | 872 |

Income and Expenditure Account Charges

| | £000 |
|--------------------------|--------------|
| Arising during the year | 221 |
| Utilised during the year | (163) |
| Reversed unused | (237) |
| Unwinding of discounts | 24 |
| Total | (155) |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

Note 17 (Contd)

Expected Timing of Cash Flow

| | Pensions relating to former directors £000 | Pensions relating to other staff £000 | Clinical Negligence £000 | Restructuring £000 | Other £000 | 2005 £000 | 2004 £000 |
|---------------|---|--|---|-------------------------------|-----------------------|----------------------|----------------------|
| Within 1 year | 0 | 13 | 343 | 0 | 122 | 478 | 676 |
| 1 - 5 years | 0 | 52 | 0 | 0 | 67 | 119 | 76 |
| Over 5 years | 0 | 120 | 0 | 0 | 0 | 120 | 120 |

The amount provided for Pensions relating to Other Staff is based on the total forecast quarterly payments to staff granted early retirement prior to 31 March 2005. The provision for Clinical Negligence is based on legal advice regarding likely settlement amounts and settlement dates for cases currently lodged against the Trust. "Other" includes provisions for legal claims other than clinical negligence and provision for severance costs associated with the closure of a Trust facility. The amount provided for legal claims is based on legal advice. Expected reimbursements from the Southern Health and Social Services Board in relation to legal claims included in debtors amount to £181k. The provision for severance costs is based on forecast costs associated with terminating the contracts of staff to whom it is not possible to offer redeployment.

Expected reimbursements from the Clinical Negligence Central Fund included in debtors are :-

| | £000 |
|----------------------------------|-------------|
| Clinical Negligence Central Fund | 343 |

The clinical negligence provision includes £0 for incidents against which claims have not, as yet been received. The related reimbursements, included in debtors, amount to £0.

In addition to the clinical negligence provision, contingent liabilities for clinical negligence are given in Note 25.

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

18. Public Dividend Capital

| | 2005 | 2004 |
|--|----------------------|----------------------|
| | £000 | £000 |
| Public dividend capital was issued as follows: | | |
| During the reporting year | (215) | 0 |
| In prior years | 16,229 | 16,229 |
| Total | <u>16,014</u> | <u>16,229</u> |

19. Movements on Reserves

| | Revaluation Reserve £000 | Donation Reserve £000 | Realised Donation Reserve £000 | Other Reserves £000 | Income and Expenditure Reserve £000 | Total £000 |
|--|---|--------------------------------------|---|------------------------------------|--|-----------------------|
| At 1 April 2004 | 18,208 | 396 | 0 | 0 | 295 | 18,899 |
| Retained surplus (deficit) for year | 0 | 0 | 0 | 0 | (14) | (14) |
| Revaluation and indexation of fixed assets | 16,434 | 32 | 0 | 0 | 0 | 16,466 |
| Transfer of realised profits (losses) | (12) | 0 | 0 | 0 | 12 | 0 |
| Movements in donation reserve | 0 | (25) | 0 | 0 | 0 | (25) |
| Fixed Asset Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Other reserve movements - Specify | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2005 | <u>34,630</u> | <u>403</u> | <u>0</u> | <u>0</u> | <u>293</u> | <u>35,326</u> |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

20. Reconciliation of Movement in Government Funds

| | 2005 £000 | 2004 £000 |
|---|----------------------------|----------------------------|
| Surplus (deficit) for the financial year | 939 | 557 |
| less provisions for future obligations | (15) | 6 |
| less public dividend capital dividends | (938) | (541) |
| | <u>(14)</u> | <u>22</u> |
| Gains (losses) from revaluation/indexation of | | |
| Purchased fixed assets | 16,434 | 3,924 |
| Public dividend capital repayments | (215) | 0 |
| Public dividend capital issued | 0 | 0 |
| New Government loans issued | 0 | 0 |
| Government loans repayments | (691) | (691) |
| Additions (reductions) in other reserves | <u>0</u> | <u>0</u> |
| Net Movement in Government funds | 15,514 | 3,255 |
| Government funds at 31 March 2004 | <u>46,824</u> | <u>43,569</u> |
| Government funds at 31 March 2005 | <u>62,338</u> | <u>46,824</u> |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

21 Financial Performance Targets

21.1 Capital Cost Absorption Duty

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 interest payable on Government borrowing plus dividends payable on public dividend capital, totalling £1,919k, bears to the average relevant net assets of £47,022k that is 4.1%.

The return for 2004/2005 is calculated as 4.1% (2003/2004 3.7%)

The variance from 3.5% was due to the actual capital allocation being less than capital additions estimated in the forecast capital charges. The difference between the forecast and the actual expenditure is recouped through the dividend payable to the Department of Health, Social Services and Public Safety.

The Capital Cost Absorption Rate is calculated as follows:

Capital Cost Absorption rate (%) = (TDR/Average relevant net assets) x 100

| | 2005 |
|--|---------------------|
| | £000 |
| Trust Debt Remuneration is calculated as: | |
| Interest payable on Government borrowing | 981 |
| Plus | |
| Dividends payable on Public Dividend Capital | <u>938</u> |
| Trust Debt Remuneration | <u><u>1,919</u></u> |

Average Relevant Net Assets is calculated as:

Average relevant net assets is the simple average of opening and closing relevant net assets, where each are calculated as follows:

| | Opening | Closing | Average |
|--|----------------------|----------------------|----------------------|
| | £000 | £000 | £000 |
| Total capital and reserves* | | | |
| (equivalent to total net assets) | 35,128 | 38,688 | 36,908 |
| Less: | | | |
| Donation reserve | (396) | (400) | (398) |
| Purchased assets in the course of construction | 0 | (320) | (160) |
| Short-term assets | (1,129) | (1,020) | (1,075) |
| Finance Lease assets (during their primary lease term) | | | |
| Plus: | | | |
| Loans and overdrafts | 12,092 | 11,401 | 11,747 |
| Finance Lease Creditors (capital only) | | | |
| Relevant Net Assets | <u><u>45,695</u></u> | <u><u>48,349</u></u> | <u><u>47,022</u></u> |

*Capital and reserves excludes the impact of the national revaluation exercise.

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

21.2 Break Even Performance

The Trust is required to ensure that its income is sufficient to meet its expenditure taking one year with another. Over the last five years the Trust has achieved the following results:

| | 2000/01 £000 | 2001/02 £000 | 2002/03 £000 | 2003/04 £000 | 2004/05 £000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| i. Turnover | 67,027 | 64,382 | 72,321 | 79,313 | 83,396 |
| ii. Operational Surplus/(Deficit) for Financial Year before Provisions and Exceptional Income | (95) | 8 | 5 | 16 | 1 |
| iii. Break Even in year position | (95) | 8 | 5 | 16 | 1 |
| iv. Break Even cumulative position(opening) | 253 | 234 | 242 | 247 | 263 |
| v. Other Adjustments | 76 | 0 | 0 | 0 | 0 |
| vi. Exceptional Income Year ended 31 March 2001 | 0 | - | - | - | - |
| vii. Break Even Cumulative position(closing) | 234 | 242 | 247 | 263 | 264 |

If a Break Even cumulative deficit - anticipated financial year of recovery

_____ 0

If more than 2 years- agree period

_____ 0

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

Note 21.2 (Contd)

| | 2000/01 | 2001/02 | 2002/2003 | 2003/2004 | 2004/2005 |
|---|---------|---------|-----------|-----------|-----------|
| | % | % | % | % | % |
| Materiality Test: | | | | | |
| Break Even in year position as % of turnover | -0.1% | 0.0% | 0.0% | 0.0% | 0.0% |
| Break Even cumulative position as % of turnover | 0.3% | 0.4% | 0.3% | 0.3% | 0.3% |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

21.3 External Financing Limit

| | 2005 £000 | 2004 £000 |
|---|--------------|--------------|
| External Financing Limit set by the Department | <u>(344)</u> | <u>1,582</u> |

The Trust stayed within its External Financing Limit by £238k. The Trust's External Financing Requirement for the year was £582k and was met as follows:-

| | 2005 £000 | 2004 £000 |
|---------------------------------|--------------|--------------|
| Increase (decrease) in: | | |
| Public dividend capital | 0 | 0 |
| Government long-term loans | (691) | (691) |
| Other long-term loans | 0 | 0 |
| Short-term loans | 0 | 0 |
| Overdrafts | 0 | 0 |
| Finance lease capital creditors | 0 | 0 |
| (Increase) decrease in: | | |
| Short-term investments | 109 | 2,254 |
| Cash at bank and in hand | 0 | 0 |
| External Finance Accessed | <u>(582)</u> | <u>1,563</u> |

21.4 Capital Resource Limit

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

| | 2005 £000 |
|---|--------------|
| Gross Capital Expenditure (charge against the CRL) | 1,975 |
| Capital Resource Limit | <u>1,993</u> |
| Underspend against CRL | <u>18</u> |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

22. Private Finance Transactions

22.1 PFI Schemes deemed to be off balance sheet

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Amounts included within operating expenses in respect of PFI transactions deemed to be off balance sheet | <u>0</u> | <u>0</u> |

| | £000 | £000 |
|--|-------------|-------------|
| The Trust is committed to make the following payments during the next year | | |
| PFI scheme which expires within one year | 0 | 0 |
| 2 to 5 years (inclusive) | 0 | 0 |
| 6 to 10 years (inclusive) | 0 | 0 |
| 11 to 15 years (inclusive) | 0 | 0 |
| 16 to 20 years (inclusive) | 0 | 0 |
| 21 to 25 years (inclusive) | 0 | 0 |
| 26 to 30 years (inclusive) | 0 | 0 |
| 31 to 35 years (inclusive) etc. | <u>0</u> | <u>0</u> |
| | <u>0</u> | <u>0</u> |

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Estimated capital value of the PFI schemes | | |
| Carparks | 0 | 0 |
| ATICS Equipment Scheme | 0 | 0 |
| Bed Management Scheme | 0 | 0 |
| Equipment Leases | 0 | 0 |
| Laboratory Equipment Scheme | <u>0</u> | <u>0</u> |
| | <u>0</u> | <u>0</u> |

Contract start date
Contract end date

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

22.2 Service element of PFI schemes deemed to be on balance sheet.

| | 2005 £000 | 2004 £000 |
|---|----------------------------|----------------------------|
| Amounts included within operating expenses in respect of the 'service' element of PFI schemes deemed to be on balance sheet | <u>0</u> | <u>0</u> |

The Trust is committed to make the following payments during the next year

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| PFI scheme which expires within one year | | |
| 2 to 5 years (inclusive) | 0 | 0 |
| 6 to 10 years (inclusive) | 0 | 0 |
| 11 to 15 years (inclusive) | 0 | 0 |
| 16 to 20 years (inclusive) | 0 | 0 |
| 21 to 25 years (inclusive) | 0 | 0 |
| 26 to 30 years (inclusive) | 0 | 0 |
| 31 to 35 years (inclusive) | <u>0</u> | <u>0</u> |
| | <u>0</u> | <u>0</u> |

The estimated annual payments in future years are expected to be materially different from those which the Trust is committed to make during the next year. The likely financial effect of this is £0 (2004 £0).

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

23. Capital Commitments

Capital commitments at the balance sheet date were:-

| | Finance Leases £000 | Other £000 | 2005 Total £000 | 2004 Total £000 |
|---|------------------------------------|-----------------------|--------------------------------|--------------------------------|
| Contracted | 0 | 0 | 0 | 0 |
| Authorised by the Board, but not contracted | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

24. Post Balance Sheet Events

There are no post balance sheet events having a material affect on the accounts.

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

25. Contingent Liabilities

Clinical Negligence

The Trust has contingent liabilities of £60k for clinical negligence incidents. The Trust's financial liability, if any, cannot be determined until the related claims are resolved. An estimate of the amount involved, inclusive of legal costs, is:

| | 2005 | 2004 |
|--|-----------------|-----------------|
| | £000 | £000 |
| Total estimate of contingent clinical negligence liabilities | 60 | 112 |
| Amount recoverable from the Clinical Negligence Central Fund | <u>60</u> | <u>112</u> |
| Net Contingent Liability | <u><u>0</u></u> | <u><u>0</u></u> |

In addition to the above contingent liability, provisions for clinical negligence are given in Note 17.

Other clinical litigation claims could arise in the future due to incidents which have already occurred. The expenditure which may arise from such claims cannot be determined as yet.

Contingencies not relating to clinical negligence are as follows:

| | 2005 | 2004 |
|----------------------|-----------------|-----------------|
| | £000 | £000 |
| Public Liability | 1 | 0 |
| Employers' Liability | 1 | 0 |
| Accrued Leave | 0 | 0 |
| Injury Benefit | 0 | 0 |
| Other (Specify) | <u>0</u> | <u>0</u> |
| Total | <u><u>2</u></u> | <u><u>0</u></u> |

26. Related Party Transactions

During the year, none of the board members, members of the key management staff or other related parties has undertaken any material transactions with the Armagh and Dungannon HSS Trust.

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

27. Analysis of Losses and Special Payments

| TYPE OF LOSS | NO. OF CASES | VALUE £ |
|---|-----------------|----------------|
| 1 Cash Losses - Theft, fraud etc | 1 | 10 |
| 2 Cash Losses - Overpayments of salaries, wages and allowances | 0 | 0 |
| 3 Cash Losses - Other causes (including unvouched and incompletely vouched payments) | 1 | 20 |
| 4 Nugatory and fruitless payments - Abandoned Capital Schemes | 0 | 0 |
| 5 Other nugatory and fruitless payments | 0 | 0 |
| 6 Bad debts and claims abandoned | 0 | 0 |
| 7 Stores and Inventory Losses - Theft, fraud, arson (whether proved or suspected) etc | 0 | 0 |
| i. Bedding and linen | 0 | 0 |
| ii. Other equipment and property | 1 | 10,455 |
| 8 Stores and Inventory Losses - Incidents of the service (result of fire, flood, etc) | 0 | 0 |
| 9 Stores and Inventory Losses - Deterioration in store | 0 | 0 |
| 10 Stores and Inventory Losses - Stocktaking discrepancies | 0 | 0 |
| 11 Stores and Inventory Losses - Other causes | | |
| i. Bedding and linen | 0 | 0 |
| ii. Other equipment and property | 0 | 0 |
| 12 Compensation payments (legal obligation) | | |
| i. Clinical Negligence | 11 | 132,026 |
| ii. Public Liability | 0 | 0 |
| iii. Employers Liability | 8 | 17,804 |
| 13 Ex-gratia payments - Compensation payments (including payments to patients and staff) | 1 | 470 |
| 14 Ex-gratia payments - Other payments | 0 | 0 |
| 15 Extra statutory payments | 0 | 0 |
| 16 a. Losses sustained as a result of damage to buildings and fixtures arising from bomb explosions or civil commotion. | 0 | 0 |
| b. Damage to vehicles | 0 | 0 |
| TOTAL | 23 | 160,785 |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

28. Intra-Government balances

| Name | Creditors | | Debtors | |
|---|---|--|--|---|
| | Amounts falling due within 1 year £000 | Amounts falling due after more than 1 year £000 | Amounts falling due after more than 1 year £000 | Amounts falling due within 1 year £000 |
| Other central government bodies | 1848 | 10710 | 0 | 22 |
| Northern Ireland Health and Social Service Boards | 7 | 0 | 59 | 1609 |
| HSS Trusts | 391 | 0 | 0 | 214 |
| NHS Trusts | 0 | 0 | 0 | 11 |
| Agencies & Special Agencies | 377 | 0 | 0 | 477 |
| Non-Departmental Public Bodies | 0 | 0 | 0 | 0 |
| Local Authorities | 0 | 0 | 0 | 0 |
| Public corporations and trading funds | 0 | 0 | 0 | 0 |
| Total | 2623 | 10710 | 59 | 2333 |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

29. Notes to the Cash Flow Statement

29.1 Reconciliation of operating surplus (deficit) to net cash inflow from operating activities

| | 2005 | 2004 |
|---|---------------------|---------------------|
| | £000 | £000 |
| Operating surplus (deficit) | 1,745 | 1,328 |
| Depreciation charge | 1,976 | 1,710 |
| Provisions for future obligations (I&E Account) | (15) | 6 |
| Fixed asset impairments | 215 | 7 |
| Transfer from donation reserve | (25) | (27) |
| Non-cash Items | 0 | 0 |
| Increase (decrease) in provisions (Balance Sheet) | (155) | (237) |
| (Increase) decrease in stocks | (52) | 7 |
| (Increase) decrease in debtors | 223 | 514 |
| Increase (decrease) in creditors | 681 | (664) |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | <u>4,593</u> | <u>2,644</u> |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

29. Notes to the Cash Flow Statement

29.2 Reconciliation of net cash flow to movement in net debt

| | 2005 | | 2004 | |
|--|----------|------------------------|----------|------------------------|
| | £000 | £000 | £000 | £000 |
| Increase/(decrease) in cash in the period | (109) | | (2,254) | |
| Cash inflow from new debt | 0 | | 0 | |
| Cash outflow from debt repaid and finance lease capital payments | 691 | | 691 | |
| Cash (inflow)/outflow from decrease/increase in liquid resources | <u>0</u> | | <u>0</u> | |
| Change in net debt resulting from cash flows | | 582 | | (1,563) |
| Non-cash changes in debt | | <u>0</u> | | <u>0</u> |
| Net Debt at 1 April 2004 | | <u>(10,952)</u> | | <u>(9,389)</u> |
| Net Debt at 31 March 2005 | | <u><u>(10,370)</u></u> | | <u><u>(10,952)</u></u> |

29.3 Analysis of changes in net debt

| | At 1 April 2004 £000 | Cash flows £000 | Non-cash changes £000 | At 31 March 2005 £000 |
|---------------------------|----------------------------|-----------------------|-----------------------------|-----------------------------|
| Cash at bank and in hand | 11 | 0 | 0 | 11 |
| Bank overdrafts | 0 | 0 | 0 | 0 |
| Debt due within 1 year | (691) | 691 | (691) | (691) |
| Debt due after 1 year | (11,401) | 0 | 691 | (10,710) |
| Finance leases | 0 | 0 | 0 | 0 |
| Current asset investments | 1,129 | (109) | 0 | 1,020 |
| | <u>(10,952)</u> | <u>582</u> | <u>0</u> | <u>(10,370)</u> |

ARMAGH AND DUNGANNON HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

30. 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 relationship with HSS Commissioners, and the manner in which they are funded, the Armagh and Dungannon Health and Social Services 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 that would be typical of the listed companies to which FRS 13 mainly applies. The Armagh and Dungannon Health and Social Services 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 Armagh and Dungannon HSS Trust in undertaking its activities.

31. Third party assets

The Trust held £1,158k cash at bank and in hand at 31/3/05 which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts. A separate audited account of these monies is maintained by the Trust.

**ARMAGH & DUNGANNON HSS TRUST
ACCOUNT OF MONIES HELD ON BEHALF OF
PATIENTS/RESIDENTS
YEAR ENDED 31 MARCH 2005**

STATEMENT OF TRUSTS RESPONSIBILITIES IN RELATION TO PATIENTS / RESIDENTS MONIES

The Trust is required by Health and Personal Social Services (Northern Ireland) Order 1991 to produce and submit amounts in such form as the Department may direct.

The Trust is also required to maintain proper and distinct accounting records and is responsible for safeguarding the monies held on behalf of patients/residents and for taking reasonable steps to prevent and detect fraud and other irregularities.

ARMAGH & DUNGANNON HSS TRUST
YEAR ENDED 31 MARCH 2005

ACCOUNT OF MONIES HELD ON BEHALF OF PATIENTS/RESIDENTS

| Previous Year | RECEIPTS | | |
|---------------|---|-----------|-----------|
| £ | | £ | £ |
| 1,194,421 | Balance at 31 March 2004 | 1,214,700 | |
| 35,870 | 1. Investments (at Cost) | 77,126 | |
| 0 | 2. Cash at Bank | 0 | |
| | 3. Cash at Hand | | |
| 1,230,291 | | | 1,291,826 |
| 580,931 | Amounts Received in the Year | 560,648 | |
| 45,322 | Interest Received | 58,618 | 619,266 |
| 1,856,544 | TOTAL | | 1,911,092 |
| | PAYMENTS | | |
| 564,718 | Amounts Paid to or on Behalf of Patients/ Residents | | 753,382 |
| 1,214,700 | Balance at 31 March 2005 | 1,121,688 | |
| 77,126 | 1. Investments (at Cost) | 36,022 | |
| 0 | 2. Cash at Bank | 0 | |
| | 3. Cash at Hand | | |
| 1,291,826 | | | 1,157,710 |
| 1,856,544 | TOTAL | | 1,911,092 |

Schedule of Investments Held at 31 March 2005

| | Investment | Nominal Value £ | Cost Price £ |
|-----------|---|--------------------|-----------------|
| 1,214,700 | Anglo Irish Bank Corporation plc | 1,121,688 | 1,121,688 |

I certify that the above account has been compiled from and is in accordance with the accounts and financial records maintained by the Trust.

S McNally
9 June 2005

Director of Finance
Date

I certify that the above account has been submitted to and duly approved by the Trust Board.

P Stanley
3 August 2005

Chief Executive
Date

Armagh and Dungannon Health and Social Services Trust

Account of Monies held on behalf of Patients/Residents

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the account on page 63 which the Trust is required by the Health and Personal Social Services (Northern Ireland) Order 1991 to prepare and submit in such form as the Department of Health, Social Services and Public Safety may direct.

Respective Responsibilities of the Board Members and Chief Executive and Auditor

As described on page 62 the Board Members and Chief Executive are responsible for the preparation and submission of the account as required by the Health and Personal Social Service (Northern Ireland) Order 1991 in such form as the Department of Health, Social Services and Public Safety directs and for ensuring the regularity of financial transactions. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the account properly presents the payments and receipts of the monies held on behalf of patients/residents and are properly prepared as required by the Health and Personal Social Services (Northern Ireland) Order 1991 in such form as the Department of Health, Social Services and Public Safety directs, and whether in all material respects the payments and receipts conform to the authorities which govern them. I also report if, in my opinion the Trust has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the account. It also includes an assessment of the judgements made by the Board Members and Chief Executive in the preparation of the account.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the account is free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the payments and receipts conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the account.

Opinion

In my opinion:

the account properly presents the payments and receipts of the monies held on behalf of patients/residents by the Armagh and Dungannon Health and Social Services Trust for the year ended 31 March 2005 and balances held at that date and have been properly prepared as required by the Health and Personal Social Services (NI) Order 1991 in such form as the Department of Health, Social Services and Public Safety may direct; and

In all material respects the payments and receipts conform to the authorities which govern them.

I have no observations to make on this account.

J M Dowdall CB
Comptroller and Auditor General
Date:
23rd August 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

**CRAIGAVON & BANBRIDGE COMMUNITY
HEALTH & SOCIAL SERVICES TRUST**

**ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 MARCH 2005**

**CRAIGAVON AND BANBRIDGE COMMUNITY HSS TRUST
ANNUAL ACCOUNTS FOR YEAR ENDED 31 MARCH 2005**

FOREWORD

These accounts for the year ended 31 March 2005 have been prepared in accordance with Article 90(2)(a) of the Health and Personal Social Services (Northern Ireland) Order 1972, as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003, in a form directed by the Department of Health, Social Services and Public Safety.

STATEMENT OF CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST'S RESPONSIBILITIES AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under the Health and Personal Social Services (Northern Ireland) Order 1972 (as amended by the Health and Personal Social Services (Northern Ireland) Order 2003), the Craigavon and Banbridge Community HSS Trust is required to prepare financial statements for each financial year in the form and on the basis determined by the Department of Health, Social Services and Public Safety. The financial statements are prepared on an accruals basis and must provide a true and fair view of the state of affairs of the Craigavon and Banbridge Community HSS Trust, of its income and expenditure and cash flows for the financial year.

In preparing the financial statements the Trust is required to:

- observe the accounts direction issued by the Department of Health, Social Services and Public Safety including relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- make judgements and estimates on a reasonable basis.
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements.
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Trust will continue in operation.
- keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust.
- pursue and demonstrate value for money in the services the Trust provides and in its use of public assets and the resources it controls.

The Permanent Secretary of the Department of Health, Social Services and Public Safety as Accounting Officer for health and personal social services resources in Northern Ireland has designated Mr G Houston, Chief Executive of Craigavon and Banbridge Community HSS Trust, as the Accountable Officer for the Trust. His relevant responsibilities as Accountable Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accountable Officer Memorandum, issued by the Department of Health, Social Services and Public Safety. The Accountable Officer is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

Statement on Internal Control for the Financial Year 2004/05

Scope of Responsibility

The Board of Craigavon & Banbridge Community HSS Trust is accountable for internal control. As Accountable Officer and Chief Executive of the Board of Craigavon & Banbridge Community HSS Trust, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the organisation, and for reviewing the effectiveness of the system.

Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is a continuous process designed to identify and prioritise risk; to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. The system of internal control has been in place in Craigavon & Banbridge Community HSS Trust for the year ended 31 March 2005, and up to the date of approval of the annual report and accounts, and accords with Department of Finance and Personnel guidance.

The Board exercises strategic control over the operation of the Trust through a system of corporate governance which includes:

- A schedule of matters reserved for Board decisions
- A scheme of delegation, which delegates authority within set parameters to the Chief Executive and other officers
- Standing Orders and Standing Financial Instructions
- The establishment of an Audit Committee
- The establishment of a Remuneration Committee
- The establishment of a Corporate Governance Committee

The system of internal financial control is based on a framework of regular financial information, administrative procedures including the segregation of duties and a system of delegation and accountability. In particular it includes:

- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board
- Regular reviews by the Board of periodic financial reports which indicate performance against the forecast outturn
- Setting targets to measure financial and other performances
- Clearly defined capital investment control guidelines

- As appropriate, formal budget management disciplines

The Craigavon & Banbridge Community HSS Trust has an internal audit function which operates to defined standards and whose work is informed by an analysis of risk to which the Trust is exposed and annual audit plans are based on this analysis.

In 2004/05 Internal Audit reviewed and/or reported on the following systems:

- Patients and Residents Property – Central Administration
- Income and Cash Handling at Facilities
 - Copperfields
 - Novara House
 - Bocombra Children’s Home
 - Lurgan HSSC
- Non-Pay Expenditure and Creditors Payments
- Staff Travel and Subsistence Expenses
- Salaries and Wages
- Charitable Funds
- Grants To Voluntary Bodies
- Care Management – Residential and Nursing Homes
- Capital and Revenue Assets
- Trust Homecare – Follow-up Audit Report
- Review of Controls at Portadown HSSC
- Controls Assurance Standards
 - Risk Management
 - Governance
 - Financial Management
 - Human Resources
 - Health & Safety Management
 - Infection Control
 - Medicines Management
 - Decontamination of Re- usable Medical
 - Devices
 - Buildings, Land, Plant & Non Medical
 - Equipment
 - Information & Communications Technology

In his annual report, the Internal Auditor advised that the Trust’s system of internal financial control was adequate and effective.

The Trust's self – assessed score for the Infection Controls Assurance Standard indicates a “substantive” level of compliance. However, the Internal Audit initial assessment is a “moderate” level of compliance. The Trust will work with Internal Audit on the further verification of evidence to ensure that a “substantive” level of compliance is achieved in 2005/06.

With regard to the wider control environment the Trust has in place a range of organisational controls, commensurate with the current assessment of risk, designed to ensure the efficient and effective discharge of its business. Every effort is made to ensure that the objectives of the Trust are pursued in accordance with the recognised and accepted standards of public administration.

For example:

Recruitment and Selection

The Trust's recruitment and selection policies are based on the principle of equality of opportunity and controls are in place to ensure that all such decisions are taken in accordance with relevant legislation

Section 75

The Trust has put in place its equality and good relations duties as defined under Section 75 of the Northern Ireland Act 1998

Fire Code Compliance

During 2004/05 the Trust was subject to an Audit of Fire Safety by DHSSPS Health Estates who were satisfied that fire safety is being competently managed within the Trust.

The Trust achieved substantive compliance with the Controls Assurance Standard for Fire Safety and is on schedule to meet the determined deadline for Firecode compliance.

Food Safety

A Food Safety HACCP system (Hazard Analysis & Critical Control Points) has been implemented to all Trust catering operations.

Periodic Environmental Health inspections and regular food safety audits are carried out in each Catering facility.

Capacity to handle risk

The Trust Board has approved an Accountability Framework that describes the structures in place to implement Corporate Governance. A Clinical and Social Care Governance Facilitator and a Social Care Governance Officer have been appointed to support and progress this important aspect of the Trust's business. A programme of training has been offered to

individual staff, professional groups and teams, and members of the Clinical and Social Governance Sub-groups.

The risk and control framework

The Trust has developed a risk management strategy, which has identified the organisation's objectives and risks and sets out a control strategy for each significant risk. Procedures have been put in place to verify that aspects of risk management and internal control are regularly reviewed and that risk management has been incorporated fully into the corporate planning and decision making processes of the organisation.

The actions taken so far include:

- A self-assessment exercise and action plans to secure compliance against the core Controls Assurance Standards:
- Governance
- Financial Management
- Risk Management
- Arrangements to monitor compliance with other key standards, including relevant Controls Assurance Standards covering areas of potentially significant organisational risk.
- DHSSPS reviewed and reported on the system for (a) Medical Devices & Equipment Management & (b) Fire Safety Management measured against the HPSS Controls Assurance Criteria.
- Risk awareness and risk assessment training for staff in the Trust.
- Development of an organisation wide risk register incorporating financial, organisational, clinical and social care risks. The register uses a “common currency” of risk rating and presents a true picture of significant risks to the Board.
- Development of processes for ensuring that lessons learnt from incidents and complaints are fed back into the system to effect risk reduction, and improvements in service.
- Review of arrangements for reporting and follow up on serious adverse incidents in accordance with Interim Guidance HSS (PPM) 06/04.
- Review of the Trust emergency plan so that the Trust can respond and deal with a major incident effectively.
- Establishment of a schedule of risk management reports to the Board including summaries of activity in areas of organisational control.
- All incidents, near misses and complaints are classified using a common grading methodology.
- Making preparations for the implementation of the Freedom of Information Act, led through the Trust's Records Management Team.
- The Trust is working towards Investors in People accreditation.
- In addition to the actions outlined above, in the coming year it is planned to work on the areas identified below in order to reduce the risks to achieving the Trust's objectives:

- Further develop the Board's assurance framework to ensure effective control of risk.
- Work towards expected levels of compliance with Controls Assurance Standards issued for 2005/06.
- Address the significant risks identified through the risk management process.
- Continuation of risk awareness and risk assessment training for staff.

Review of Effectiveness

As Accountable Officer, I have responsibility for the review of the effectiveness of the system of internal control. This review is informed by the work of the internal auditors and the executive managers within the Craigavon & Banbridge Community HSS Trust who have responsibility for the development and maintenance of the internal control framework. It is also informed by the comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Trust Board, the Audit Committee, and the Corporate Governance Committee, and a plan to promote continuous improvement to the system is in place.

G HOUSTON

Chief Executive

Dated: 1 August, 2005

Craigavon and Banbridge Community Health and Social Services Trust

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements on pages 77 to 121 under the Health and Personal Social Services (Northern Ireland) Order 1972 as amended. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 81 to 86.

Respective responsibilities of the Board Members, Chief Executive and Auditor

As described on page 68, the Board Members and Chief Executive are responsible for the preparation of the financial statements in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972 as amended and Department of Health, Social Services and Public Safety directions made thereunder and for ensuring the regularity of financial transactions. The Board Members and Chief Executive are also responsible for the preparation of the contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession. I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972 as amended and Department of Health, Social Services and Public Safety directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Trust has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 70 to 74 reflects the Trust's compliance with the Department of Health, Social Services and Public Safety's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Health, Social Services and Public Safety, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Chief Executive's statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial

statements. It also includes an assessment of the significant estimates and judgements made by the Board Members and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Craigavon and Banbridge Community Health and Social Services Trust at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year ended and have been properly prepared in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972 as amended and directions made thereunder by the Department of Health, Social Service and Public Safety; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements

J M Dowdall CB
Comptroller and Auditor General
Date:
26th August 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

| | NOTE | 2005 £000 | 2004 £000 |
|--|------|------------------|---------------------|
| Income from Activities | | | |
| | 2 | 65,534 | 60,454 |
| Other Operating Income | 3 | <u>1,895</u> | <u>1,259</u> |
| | | 67,429 | 61,713 |
| Operating Expenses | 4, 5 | <u>(66,986)</u> | <u>(61,355)</u> |
| OPERATING SURPLUS | | 443 | 358 |
| (Loss) on disposal of Fixed Assets | 7 | <u>(5)</u> | <u>(15)</u> |
| SURPLUS BEFORE INTEREST | | 438 | 343 |
| Interest Receivable | | 110 | 97 |
| Interest Payable | 8 | <u>(294)</u> | <u>314</u> |
| SURPLUS FOR THE FINANCIAL YEAR | | 254 | 126 |
| Public Dividend Capital Dividends Payable | 15 | <u>(239)</u> | <u>(106)</u> |
| OPERATIONAL SURPLUS BEFORE PROVISIONS | 21.2 | 15 | 20 |
| Provisions for Future Obligations | 9.1 | <u>43</u> | <u>(140)</u> |
| RETAINED SURPLUS / (DEFICIT) FOR THE FINANCIAL YEAR | | <u><u>58</u></u> | <u><u>(120)</u></u> |
| BREAK EVEN POSITION | 21.2 | <u><u>15</u></u> | <u><u>20</u></u> |

The notes on pages 81 to 121 form part of these accounts

All Income and Expenditure is derived from continuing activities

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

BALANCE SHEET AS AT 31 MARCH 2005

| | NOTE | 2005 | | 2004 | |
|--|------|----------|----------------------|----------|----------------------|
| | | £000 | £000 | £000 | £000 |
| FIXED ASSETS | | | | | |
| Intangible assets | 10 | | 0 | | 0 |
| Tangible assets | 11 | | <u>26,257</u> | | <u>19,992</u> |
| | | | <u>26,257</u> | | <u>19,992</u> |
| CURRENT ASSETS | | | | | |
| Stocks and work in progress | 12 | 20 | | 16 | |
| Debtors: Amounts falling due | | | | | |
| Within one year | 13 | 4,024 | | 2,081 | |
| After one year | 13 | 181 | | 107 | |
| Short term investments | 14 | 0 | | 0 | |
| Cash at bank and in hand | | <u>8</u> | | <u>7</u> | |
| | | | 4,233 | | 2,211 |
| Creditors: Amounts falling due within one year | 15 | | <u>(5,768)</u> | | <u>(3,794)</u> |
| NET CURRENT (LIABILITIES) | | | <u>(1,535)</u> | | <u>(1,583)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 24,722 | | 18,409 |
| Creditors: Amounts falling due after more than one year | 15 | | (3,217) | | (3,456) |
| Provisions for Liabilities and Charges | 17 | | <u>(1,711)</u> | | <u>(1,627)</u> |
| TOTAL ASSETS EMPLOYED | | | <u><u>19,794</u></u> | | <u><u>13,326</u></u> |
| FINANCED BY: | | | | | |
| CAPITAL AND RESERVES | | | | | |
| Public dividend capital | 18 | | 7,183 | | 5,457 |
| Revaluation reserve | 19 | | 11,427 | | 6,746 |
| Donation reserve | 19 | | 14 | | 14 |
| Realised donation reserve | 19 | | 0 | | 0 |
| Other reserves | 19 | | 124 | | 127 |
| Income and expenditure reserve | 19 | | <u>1,046</u> | | <u>982</u> |
| | | | <u><u>19,794</u></u> | | <u><u>13,326</u></u> |

The notes on pages 81 to 121 form part of these accounts

I certify that the attached financial statements and annual report were approved by the Board of Directors on 1 August 2005

G Martin (Chairman)

G Houston (Chief Executive)

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

| | 2005 | | 2004 | |
|--|----------|-------------------|--------------|---------------------|
| | £000 | £000 | £000 | £000 |
| Net Cash Inflow from Operating Activities (Note 29.1) | | 1,800 | | 902 |
| Returns on Investments and Servicing of Finance | | | | |
| Interest received | 110 | | 97 | |
| Interest paid | (295) | | (315) | |
| Interest element of finance lease rental payments | <u>0</u> | | <u>0</u> | |
| Net Cash (Outflow) from Returns on Investments and Servicing of Finance | | (185) | | (218) |
| Capital Expenditure | | | | |
| Payments to acquire intangible fixed assets | 0 | | 0 | |
| Receipts from sales of intangible fixed assets | 0 | | 0 | |
| Payments to acquire tangible fixed assets | (3,071) | | (1,308) | |
| Receipts from sales of tangible fixed assets | <u>1</u> | | <u>122</u> | |
| Net Cash (Outflow) from Capital Expenditure | | (3,070) | | (1,186) |
| Dividends Paid | | (106) | | (467) |
| Management of Liquid Resources | | | | |
| Purchase of current asset investments | 0 | | 0 | |
| Sale of current asset investments | 0 | | <u>1,492</u> | |
| Net Cash Inflow from Management of Liquid Resources | | <u>0</u> | | <u>1,492</u> |
| Net Cash Inflow / (Outflow) before Financing | | (1,561) | | 523 |
| Financing | | | | |
| New money capital reserve | 0 | | 0 | |
| New public dividend capital | 1,932 | | 0 | |
| New long-term loans - Government | 0 | | 0 | |
| New long-term loans - Others | 0 | | 0 | |
| New short-term loans - Government | 0 | | 0 | |
| New short-term loans - Others | 0 | | 0 | |
| Repayment of loans - Government | (238) | | (238) | |
| Repayment of Public Dividend Capital | 0 | | (500) | |
| Capital element of finance lease rental payments | <u>0</u> | | <u>0</u> | |
| Net Cash Inflow / (Outflow) from Financing | | <u>1,694</u> | | <u>(738)</u> |
| Increase / (Decrease) in Cash (Notes 29.2 and 3) | | <u><u>133</u></u> | | <u><u>(215)</u></u> |

The notes on pages 81 to 121 form part of these accounts

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2005

| | 2005 | | 2004 | |
|---|--------------|---------------------|------------|---------------------|
| | £000 | £000 | £000 | £000 |
| Surplus for the financial year | | 254 | | 126 |
| Provisions for future obligations | | <u>43</u> | | <u>(140)</u> |
| | | 297 | | (14) |
| Fixed asset impairment losses | | 0 | | 0 |
| Non donated Fixed Assets | | | | |
| Indexation of fixed assets | 1,532 | | 1,489 | |
| Unrealised surplus on revaluation of fixed assets | <u>2,949</u> | 4,481 | <u>227</u> | |
| | | | | 1,716 |
| Donated Assets | | | | |
| Additions to donated assets | 0 | | 0 | |
| Changes to donation reserve (except transfers to realised donation reserve) | <u>1</u> | | <u>1</u> | |
| | | <u>1</u> | | <u>1</u> |
| Total recognised gains relating to the year | | 4,779 | | 1,703 |
| Additions to Capital Assets Reserve | | <u>0</u> | | <u>0</u> |
| TOTAL GAINS RECOGNISED IN THE FINANCIAL YEAR | | <u>4,779</u> | | <u>1,703</u> |
| Total recognised gains for the year (as above) | | 4,779 | | 1,703 |
| Prior year adjustment | | 0 | | 335 |
| Total gains recognised since last Annual Report | | <u>4,779</u> | | <u>2,038</u> |

The notes on pages 81 to 121 form part of these accounts

CRAIGAVON AND BANBRIDGE COMMUNITY H&SS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

1.1 Authority

These accounts have been prepared in a form determined by the Department of Health, Social Services and Public Safety in accordance with the requirements of Article 90(2)(a) of the Health and Personal Social Services (Northern Ireland) Order 1972 No 1265 (NI14) as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003.

1.2 Accounting Convention

These accounts have been prepared under the historical cost convention as modified by the indexation and revaluation of tangible fixed assets.

1.3 Basis of Preparation of Accounts

The accounts have been prepared in accordance with the 2004/05 HPSS Trust Manual of Accounts issued by the Department of Health, Social Services and Public Safety.

The accounting policies contained in that Manual follow UK generally accepted accounting practice (UK GAAP) to the extent that it is meaningful and appropriate to HPSS Trusts. The accounting policies are selected in accordance with the principles set out in FRS 18 "Accounting Policies" as the most appropriate for giving a true and fair view. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The principal variations between UK GAAP and the accounting policies directed by the Department of Health, Social Services and Public Safety are:

Paragraph 20 of Financial Reporting Standard 3 "Reporting Financial Performance" requires certain items of expenditure to be separately disclosed in the income and expenditure account after operating/surplus/(deficit). These expenditure items do not include the costs associated with provision for liabilities and charges which are normally included within the calculation of the operating surplus/(deficit). However, as the Department measures the operating performance of Trusts by reference to the operating surplus/(deficit) excluding the impact of certain provisions, the income and expenditure account is presented to disclose the operating surplus (deficit) before provisions for future obligations.

Financial Reporting Standard 15 "Tangible Fixed Assets" requires impairment losses on revalued fixed assets to be recognised in the statement of total recognised gains and losses until the carrying value of the asset falls below depreciated historic cost, at which stage any further impairments are recognised in the income and expenditure account.

However, where an impairment arises due to consumption of economic benefits FRS 15 requires the loss to be recognised in the income and expenditure account in its entirety. In the context of their capital accounting HSS Trusts take those impairment losses resulting from short term changes in price that are considered to be recoverable, 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.

1.4 Intangible fixed assets

Intangible fixed 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 (either individually or as a grouped asset).

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 (either individually or as a grouped asset). 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 they:

- individually have a cost of at least £5,000; OR
- they satisfy the criteria of a grouped assets ie collectively have a cost of at least £5,000,
- are functionally interdependent, broadly simultaneous purchase dates, and anticipated to
- have simultaneous disposal dates, under single managerial control and have an
- individual cost of £1,000 ;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.

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 FRS 15 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 Valuations and Land Agency. 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, Social Services and Public Safety. In accordance with the requirements of the Department, asset valuations were undertaken in 2004/05 as at the valuation date of 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 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.

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 a 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 Trusts 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.

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 Research and development

Research and development expenditure is charged against income in the year in which it is incurred, except in so far as development expenditure relates to a clearly defined project and the benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project.

1.8 Private Finance Initiative (PFI) transactions

The HPSS follows HM Treasury's Technical Note I (Revised) "How to Account for PFI transactions" which provides definitive guidance for the application of the FRS 5, Amendment.

PFI schemes are schemes under which the PFI operator receives an annual payment from the Trust for the services provided by the PFI operator.

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.

1.9 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.

1.10 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 adjusted using the Treasury's discount rate of 3.5% in real terms. Provisions for clinical negligence are recognised only where it is more probable than not that a settlement will be required.

1.11 Clinical Negligence Central Fund

A Clinical Negligence Central Fund was established in 1998 to manage the payment of clinical negligence settlements. HSS Trusts are reimbursed by the Central Fund for payments made. Reimbursements are accounted for as income.

The reimbursements from the Central Fund in respect of clinical negligence liabilities and provisions are included within debtors.

1.12 Pensions

The Trust participates in the HPSS Superannuation Scheme. Under this multi-employer defined benefit scheme both the Trust and employees pay specified percentages of pay into the scheme and the liability to pay benefit falls to the DHSSPS.

The Trust is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reliable basis. Further information regarding the HPSS Superannuation Scheme can be found in the HPSS Superannuation Scheme Statement in the Departmental Resource Account for the Department of Health, Social Services and Public Safety .

The costs of early retirements are met by the Trust and charged to the Income and Expenditure Account at the time the Trust commits itself to the retirement.

1.13 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 31 to the accounts.

1.14 Leases

Assets held under finance leases are capitalised at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is subject to indexation and revaluation and is depreciated on its current fair value over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of interest on the outstanding balance. Rentals under operating leases are charged to the Income and Expenditure Account in the year in which they arise.

1.15 Losses

This note (Note 27) is a memorandum statement unlike most notes to the accounts which provide further detail of figures in the primary accounting statements. Most of the contents will be included in operating expenses.

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

2. Income from Activities

| | 2005 | 2004 |
|---|----------------------|----------------------|
| | £000 | £000 |
| NI Health and Social Services Boards | 61,271 | 54,532 |
| GB/Republic of Ireland Health Authorities | 0 | 0 |
| General Practice Fundholders | 0 | 0 |
| HSS Trusts* | 51 | 1,535 |
| Non-HPSS: | | |
| - private patients | 0 | 0 |
| - other | 0 | 0 |
| Clients contributions | 4,212 | 4,387 |
| Total | <u>65,534</u> | <u>60,454</u> |

* HSS Trusts income is reduced compared to previous years, due to accounting treatment of staff costs, whereby staff on this Trust's payroll who are working in other Trusts have their costs set-off against payroll costs in Note 4, rather than treated as Income for a recharged service, as previously.

Other Operating Income

| | 2005 | 2004 |
|--|---------------------|---------------------|
| | £000 | £000 |
| Patient transport services | 0 | 0 |
| Other income from non-patient services | 970 | 662 |
| NICPMDE | 246 | 150 |
| SUMDE | 15 | 10 |
| Charitable and other contributions to expenditure | 0 | 0 |
| Transfers from the donation reserve in respect of depreciation on donated assets | 1 | 0 |
| Income in respect of fixed asset impairments | 206 | 0 |
| Clinical Negligence Central Fund | 0 | 0 |
| Reversal of fixed asset impairments | 0 | 0 |
| Other income | 457 | 437 |
| Total | <u>1,895</u> | <u>1,259</u> |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

4. Operating Expenses

4.1 Operating Expenses are as follows:-

| | 2005 £000 | 2004 £000 |
|---|----------------------------|----------------------------|
| Salaries and wages (excluding Board members' remuneration) | 34,137 | 30,861 |
| Executive Board members' remuneration | 410 | 462 |
| Non - Executive Board members' remuneration | 51 | 48 |
| Supplies and services - clinical | 630 | 650 |
| - general | 644 | 634 |
| Establishment | 2,308 | 1,956 |
| Transport | 547 | 474 |
| Premises | 2,930 | 2,342 |
| Bad debts | 50 | 30 |
| Depreciation and amortisation | 1,002 | 802 |
| Fixed asset impairments | 206 | 0 |
| Purchase of care from non-HPSS bodies and grants to voluntary organisations | 19,652 | 18,760 |
| Personal social services | 1,148 | 1,025 |
| Recharges from other HPSS organisations | 2,545 | 2,426 |
| Clinical Negligence Payments: | | |
| - Provisions utilised | 0 | 0 |
| - Other | 0 | 0 |
| Audit fees | 21 | 17 |
| Other auditors' remuneration | 0 | 0 |
| Miscellaneous | 705 | 868 |
| Total | <u>66,986</u> | <u>61,355</u> |

4.2 Operating Leases

Operating expenses include the following amounts in respect of hire and operating lease rentals:

| | 2005 £000 | 2004 £000 |
|-----------------------------|----------------------------|----------------------------|
| Hire of plant and machinery | 0 | 0 |
| Other operating leases | <u>0</u> | <u>0</u> |
| | <u>0</u> | <u>0</u> |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

**ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005
NOTES TO THE ACCOUNTS**

Commitments under non-cancellable operating leases are:

| | Land and Buildings | | Other Leases | |
|--------------------------------|---------------------------|-------------|---------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | £000 | £000 | £000 | £000 |
| Operating leases which expire: | | | | |
| Within 1 year | 0 | 0 | 0 | 0 |
| Between 1 and 5 years | 0 | 0 | 0 | 0 |
| After 5 years | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

NOTE 5

5.1 Staff Costs

| | Directly employed £000 | Other £000 | 2005 £000 | 2004 £000 |
|---|---------------------------------------|-----------------------|----------------------|----------------------|
| Salaries and Wages | 30,001 | 213 | 30,214 | 27,312 |
| Social security costs | 2,079 | 0 | 2,079 | 1,786 |
| Pension costs for early retirements reflecting the single lump sum to buy over the full liability | 36 | 0 | 36 | 0 |
| Other pension costs | 1,808 | 0 | 1,808 | 1,763 |
| Early departure costs | 0 | 0 | 0 | 0 |
| | <hr/> | | | |
| Total | 33,924 | 213 | 34,137 | 30,861 |

Of the total, £nil has been charged to capital

5.2 Average Number of Persons Employed

| | Directly employed No. | Other No. | 2005 No. | 2004 No. |
|----------------------------------|--------------------------------------|----------------------|---------------------|---------------------|
| Medical and dental | 35 | 0 | 35 | 33 |
| Nursing and Midwifery | 286 | 0 | 286 | 271 |
| Professions Allied to medicine | 78 | 0 | 78 | 100 |
| Ancillaries | 93 | 8 | 101 | 96 |
| Administrative and clerical | 310 | 1 | 311 | 279 |
| Ambulance staff | 0 | 0 | 0 | 0 |
| Works | 0 | 0 | 0 | 0 |
| Other Professional and technical | 0 | 0 | 0 | 0 |
| Social Services | 293 | 3 | 296 | 277 |
| Other | 138 | 0 | 138 | 124 |
| | <hr/> | | | |
| Total | 1,233 | 12 | 1,245 | 1,180 |

Figures refer to wholetime equivalents (WTEs) rather than individuals

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

NOTE 5 (Contd)

5.3 Senior Employees' Remuneration

The salary, pension entitlements, and the value of any taxable benefits in kind of the most senior members of the Trust were as follows:

| Name | Salary, including Performance Pay | Benefits in Kind (rounded to nearest £100) | Real increase in pension and related lump sum at age 60 | Total accrued Pension at age 60 and related lump sum | CETV at 31/03/2004 | CETV at 31/03/2005 | Real increase in CETV |
|------------------------------|-----------------------------------|--|---|--|--------------------|--------------------|-----------------------|
| | £000 | £00 | £000 | £000 | £000 | £000 | £000 |
| Non - Executive Members - | | | | | | | |
| Mr JG Martin | 20-25 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mr MG Lavery | 5-10 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mr JR Mawhinney | 5-10 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ms P Horner | 5-10 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mr DG Armstrong | 5-10 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mr J Brown (from 26/7/04) | 0-5 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ms M McPartland (to 31/5/04) | 0-5 | 0 | 0 | 0 | 0 | 0 | 0 |
| Executive Members - | | | | | | | |
| Mr G Houston (from 1/5/04) | 65-70 | 0 | 0-5 lump sum | 15-20 plus 55-60 lump sum | 235-240 | 255-260 | 13 |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

**ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005
NOTES TO THE ACCOUNTS**

NOTE 5 (Contd)

5.3 Senior Employees' Remuneration (continued)

| | |
|-------------------------------|------------------------------|
| Mr WD Preston (to 30/4/04) | Consent to disclose withheld |
| Mr WR Crozier | Do. |
| Mr FL Boyle (to 31/5/04) | Do. |
| Mrs RM Burns | Do. |
| Mr IR Sutherland | Do. |
| Dr S Best | Do. |
| Dr S Wilson | Do. |

Other Members -

| | |
|--------------|------------------------------|
| Mr K Donaghy | Consent to disclose withheld |
| Mr MD Kelly | Do. |
| Mr P Morgan | Do. |

As Non - executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members. A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the HPSS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

Note 5 (Contd)

5.4 Staff Benefits

| | 2005 £000 | 2004 £000 |
|--|-----------------|-----------------|
| | <u>0</u> | <u>0</u> |
| | <u><u>0</u></u> | <u><u>0</u></u> |

5.5 Trust Management Costs

| | 2005 £000 | 2004 £000 |
|------------------------|--------------------|--------------------|
| Trust Management Costs | 3,581 | 3,124 |
| Total Income | <u>67,429</u> | <u>61,713</u> |
| % of Total Income | <u><u>5.3%</u></u> | <u><u>5.1%</u></u> |

The above information is based on the Audit Commission's definition "M2" Trust Management Costs, as detailed in HSS (THR) 2/99.

5.6 Retirements due to ill - health

During 2004/05 there were 3 early retirements from the Trust agreed on the grounds of ill - health.

The estimated additional pension liabilities of these ill - health retirements will be £10,456.

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

6.1 Public Sector Payment Policy - Measure of Compliance

The Department requires that Trusts pay their non HPSS trade creditors in accordance with the CBI Prompt Payment Code and Government Accounting Rules. The Trust's payment policy is consistent with the CBI prompt payment codes and Government Accounting rules and its measure of compliance is:

| | Number | 2005 £000 | Number | 2004 £000 |
|---------------------------------------|---------------|----------------------|---------------|----------------------|
| Total bills paid | 20,508 | 21,335 | 20,805 | 20,840 |
| Total bills paid within 30 day target | 19,300 | 20,629 | 19,777 | 20,142 |
| % of bills paid within 30 day target | 94.1% | 96.7% | 95.1% | 96.7% |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

6.2 The Late Payment of Commercial Debts Regulations 2002

The amount included within Interest Payable (Note 8) arising from claims made by small businesses under this legislation is as follows :

| | |
|--------------|-----------------|
| | £ |
| Total | <u><u>0</u></u> |

7. Profit (Loss) on Disposal of Fixed Assets

| | 2005 £000 | 2004 £000 |
|---|-------------------|--------------------|
| Profit on disposal of land and buildings | 0 | 0 |
| Loss on disposal of land and buildings | (6) | 0 |
| Profit on disposal of plant and equipment | 1 | 1 |
| Loss on disposal of plant and equipment | <u>0</u> | <u>(16)</u> |
| Total | <u><u>(5)</u></u> | <u><u>(15)</u></u> |

8. Interest Payable

| | 2005 £000 | 2004 £000 |
|-----------------------------------|-------------------|-------------------|
| Originating interest bearing debt | 294 | 314 |
| Further borrowing (government) | 0 | 0 |
| Further borrowing (other) | 0 | 0 |
| Finance leases | 0 | 0 |
| Other interest | <u>0</u> | <u>0</u> |
| Total | <u><u>294</u></u> | <u><u>314</u></u> |

An amount of £57,884 is included within note 9.3 for the unwinding of discounts on provisions.

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

9.1 Provisions for Future Obligations

| | 2005 | 2004 |
|--|-------------|-------------|
| | £000 | £000 |
| Provisions in year: | | |
| Clinical Negligence | 157 | (22) |
| Pensions | 110 | 234 |
| Employer's Liability | (40) | (6) |
| Public (Occupiers) Liability | 42 | (3) |
| Injury Benefit | 0 | 0 |
| Accrued Leave | 0 | 0 |
| Restructuring | 0 | 0 |
| Industrial Relations Cases | (5) | 3 |
| | <hr/> | <hr/> |
| Arising during the year (net) (note 9.2) | 264 | 206 |
| Unwinding of Discount on Provisions (note 9.3) | 58 | 55 |
| Utilised in year (note 9.4) | (238) | (184) |
| Other | | |
| | <hr/> | <hr/> |
| Movement in year (sub total) (note 17.1) | 84 | 77 |
| Reimbursements receivable (note 9.5) | (127) | 63 |
| | <hr/> | <hr/> |
| Total decrease / increase (to Income and Expenditure Account) | (43) | 140 |

9.2 Arising during year

| | 2005 | 2004 |
|---|-------------|-------------|
| | £000 | £000 |
| Provided in year | 411 | 286 |
| Provisions not required (reversed unused) | (147) | (80) |
| | <hr/> | <hr/> |
| Total Provided in year (9.1) | 264 | 206 |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

9.3 Unwinding of Discount on Provisions

| | 2005 £000 | 2004 £000 |
|--|--------------|--------------|
| Unwinding of discount on Provisions is analysed as follows: | | |
| Clinical Negligence | 6 | 0 |
| Other | 52 | 55 |
| Total Unwinding of Discounts on Provisions (Note 9.1) | 58 | 55 |

9.4 Utilised in year

| | 2005 £000 | 2004 £000 |
|---|--------------|--------------|
| Clinical Negligence (Note 17) | 0 | 0 |
| Pensions relating to other staff (Note 17) | 110 | 124 |
| Pensions relating to former Directors (Note 17) | 63 | 22 |
| Restructuring (Note 17) | 0 | 0 |
| Other (Note 17) | 65 | 38 |
| Total Utilised (note 9.1) | 238 | 184 |

9.5 Reimbursements Receivable

| | 2005 £000 | 2004 £000 |
|--|--------------|--------------|
| Clinical Negligence Central Fund | (163) | 22 |
| Other | 36 | 41 |
| Total Reimbursements Receivable | (127) | 63 |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

10. Intangible Fixed Assets

| Cost or Valuation | Total £000 | Software licences £000 | Other licences and trademarks £000 | Patents £000 | Development Expenditure £000 |
|-------------------------------|-----------------------|---------------------------------------|---|-------------------------|---|
| At 1 April 2004 | 0 | 0 | 0 | 0 | 0 |
| Indexation | 0 | 0 | 0 | 0 | 0 |
| Additions - purchased | 0 | 0 | 0 | 0 | 0 |
| Additions - donated | 0 | 0 | | | |
| Reclassifications | 0 | 0 | 0 | 0 | 0 |
| Other revaluation | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2005 | 0 | 0 | 0 | 0 | 0 |
| Amortisation | | | | | |
| At 1 April 2004 | 0 | 0 | 0 | 0 | 0 |
| Indexation | 0 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 | |
| Revaluation | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 |
| Provided during the year | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2005 | 0 | 0 | 0 | 0 | 0 |
| Net Book Value | | | | | |
| At 31 March 2005 | | | | | |
| - Purchased | 0 | 0 | 0 | 0 | 0 |
| - Donated | 0 | 0 | 0 | 0 | 0 |
| Total at 31 March 2005 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2004 | | | | | |
| - Purchased | 0 | 0 | 0 | 0 | 0 |
| - Donated | 0 | 0 | 0 | 0 | 0 |
| Total at 31 March 2004 | 0 | 0 | 0 | 0 | 0 |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

11. Tangible Fixed Assets

11.1 Tangible fixed assets comprise the following elements:

Purchased Assets

| | Land £000 | Buildings Installations and fittings £000 | Computer Equipment £000 | Other Equipment £000 | Assets under Construction £000 | Total £000 |
|----------------------------------|--------------|--|-------------------------------|----------------------------|--------------------------------------|---------------|
| Cost or Valuation | | | | | | |
| At 1 April 2004 | 1,971 | 18,484 | 1,028 | 2,189 | 0 | 23,672 |
| Indexation | 107 | 1,570 | 0 | 46 | 0 | 1,723 |
| Additions | 617 | 2,047 | 30 | 97 | 0 | 2,791 |
| Reclassifications | 0 | 0 | 0 | (25) | 25 | 0 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluations | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | (7) | (1) | (31) | 0 | (39) |
| National Revaluation Exercise | 3,942 | (3,873) | 0 | 0 | 0 | 69 |
| At 31 March 2005 | 6,637 | 18,221 | 1,057 | 2,276 | 25 | 28,216 |
| Depreciation | | | | | | |
| At 1 April 2004 | 0 | 2,056 | 350 | 1,288 | 0 | 3,694 |
| Indexation | 0 | 163 | 0 | 28 | 0 | 191 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | (1) | (1) | (31) | 0 | (33) |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Provided during the year | 0 | 662 | 186 | 153 | 0 | 1,001 |
| National Revaluation Exercise | 0 | (2,880) | 0 | 0 | 0 | (2,880) |
| At 31 March 2005 | 0 | 0 | 535 | 1,438 | 0 | 1,973 |
| Net Book Value | | | | | | |
| At 31 March 2005 | 6,637 | 18,221 | 522 | 838 | 25 | 26,243 |
| At 31 March 2004 | 1,971 | 16,428 | 678 | 901 | 0 | 19,978 |

Of the total net book value at 31 March, 2005, £0 related to buildings, installations and fittings valued at open market value for alternative use.

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

11.2 Total Tangible Fixed Assets:

| | Purchased £000 | Donated £000 | Total 2005 £000 | Total 2004 £000 |
|--------------------------------------|-------------------|-----------------|-----------------------|-----------------------|
| Net book value: | | | | |
| Land | 6,637 | 0 | 6,637 | 1,971 |
| Buildings installations and fittings | 18,221 | 14 | 18,235 | 16,442 |
| Computer Equipment | 522 | 0 | 522 | 678 |
| Other Equipment | 838 | 0 | 838 | 901 |
| Assets under construction | 25 | 0 | 25 | 0 |
| Total | 26,243 | 14 | 26,257 | 19,992 |

11.3 The net book value of land and buildings comprises:

| | 2005 £000 | 2004 £000 |
|-----------------|---------------|---------------|
| Freehold | 13,689 | 9,496 |
| Long leasehold | 11,183 | 8,455 |
| Short leasehold | 0 | 462 |
| | 24,872 | 18,413 |

11.4 The net book values of assets held under finance leases and hire purchase contracts are as follows:

| | 2005 £000 | 2004 £000 |
|---------------------------------------|--------------|--------------|
| Land | 0 | 0 |
| Buildings, Installations and fittings | 0 | 0 |
| Equipment | 0 | 0 |
| Assets under construction | 0 | 0 |
| | 0 | 0 |

The total amount of depreciation charged in the Income and Expenditure Account in respect of assets held under finance leases and hire purchase contracts is £0 (2004 £0)

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

12. Stocks and Work in Progress

| | 2005 £000 | 2004 £000 |
|-------------------------------|----------------------------|----------------------------|
| Raw Materials and consumables | 20 | 16 |
| Work in progress | 0 | 0 |
| Finished goods | 0 | 0 |
| Total | 20 | 16 |

13. Debtors

| | 2005 £000 | 2004 £000 |
|--------------------------------------|----------------------------|----------------------------|
| Amounts falling due within one year: | | |
| HSS or NHS debtors | 2,633 | 730 |
| Clinical Negligence - Central Fund | 60 | 0 |
| Other debtors | 1,295 | 1,310 |
| Pension Prepayments | | |
| in respect of former directors | 0 | 0 |
| in respect of other staff | 0 | 0 |
| Other prepayments and accrued income | 36 | 41 |
| Sub Total | 4,024 | 2,081 |

The balances are net of a provision for bad debts of £94,000 (2004 - £56,000)

| | | |
|---|--------------|--------------|
| Amounts falling due after more than one year: | | |
| HSS or NHS debtors | 64 | 96 |
| Clinical Negligence - Central Fund | 114 | 10 |
| Other debtors | 3 | 1 |
| Pension Prepayments | | |
| in respect of former directors | 0 | 0 |
| in respect of other staff | 0 | 0 |
| Other prepayments and accrued income | 0 | 0 |
| Sub Total | 181 | 107 |
| Total | 4,205 | 2,188 |

14. Short-term Investments

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Government Securities | 0 | 0 |
| Other Approved Public Sector Organisations | 0 | 0 |
| Banking Deposits | 0 | 0 |
| Others | 0 | 0 |
| Total | 0 | 0 |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

15. Creditors

15.1 Creditors: Amounts falling due within one year:

| | 2005 £000 | 2004 £000 |
|--|--------------|--------------|
| Bank overdrafts | 83 | 215 |
| Current instalments due on loans | 238 | 238 |
| Interest payable | 13 | 14 |
| Public dividend capital dividend payable | 239 | 106 |
| PDC payable in respect of impairments | 206 | 0 |
| Payments received on account | 0 | 0 |
| HPSS or NHS creditors and accruals | 345 | 198 |
| Non HPSS or NHS trade revenue creditors | 2,152 | 1,503 |
| Non HPSS or NHS trade capital creditors | 189 | 469 |
| Payroll creditors including taxation and social security | 2,271 | 931 |
| Net obligations under finance leases | 0 | 0 |
| Clinical Negligence | 0 | 0 |
| Pensions | | |
| - relating to former directors | 16 | 22 |
| - relating to other staff | 0 | 28 |
| Other accruals | 8 | 17 |
| Other creditors | 8 | 53 |
| | <hr/> | <hr/> |
| Sub Total | 5,768 | 3,794 |

15.2 Creditors: Amounts falling due after more than one year:

| | | |
|---|--------------|--------------|
| Long Term Loans | 3,217 | 3,456 |
| Obligations under finance leases and hire | | |
| purchase contracts | 0 | 0 |
| HPSS or NHS Creditors | 0 | 0 |
| Clinical Negligence | 0 | 0 |
| Pensions | | |
| - relating to former directors | 0 | 0 |
| - relating to other staff | 0 | 0 |
| Other | 0 | 0 |
| | <hr/> | <hr/> |
| Sub Total | 3,217 | 3,456 |

| | | |
|------------------------|--------------|--------------|
| Total Creditors | 8,985 | 7,250 |
|------------------------|--------------|--------------|

Pension creditors include £0 relating to payments due in future years under arrangements to buy out the liability for early retirements over 5 years.

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005

NOTES TO THE ACCOUNTS

15.3 Finance lease obligations

The future minimum lease payments under finance leases to which the Trust was committed at the balance sheet date were as follows:

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Within one year | 0 | 0 |
| Between one and five years | 0 | 0 |
| After five years | 0 | 0 |
| | <u>0</u> | <u>0</u> |
| Less finance charges allocated to future periods | 0 | 0 |
| | <u>0</u> | <u>0</u> |

This total net obligation under finance leases can be analysed as follows:

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Profit on disposal of land and buildings | 0 | 0 |
| | <u>0</u> | <u>0</u> |
| Profit on disposal of land and buildings | <u>0</u> | <u>0</u> |

15.4 Public Dividend Capital Dividends

| | 2005 £000 | 2004 £000 |
|---|----------------------------|----------------------------|
| The dividend is in respect of Public Dividend Capital | 239 | 106 |
| | <u>239</u> | <u>106</u> |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

16. Loans

| | Government Loans £000 | Other Loans £000 | 2005 £000 | 2004 £000 |
|----------------------------|--------------------------------------|---------------------------------|----------------------|----------------------|
| Amounts falling due: | | | | |
| In one year or less | 238 | 0 | 238 | 238 |
| Between one and two years | 238 | 0 | 238 | 238 |
| Between two and five years | 715 | 0 | 715 | 715 |
| In five years or more | 2,264 | 0 | 2,264 | 2,503 |
| Total | 3,455 | 0 | 3,455 | 3,694 |

| | Government Loans £000 | Other Loans £000 | 2005 £000 | 2004 £000 |
|---|--------------------------------------|---------------------------------|----------------------|----------------------|
| Wholly repayable within five years | 0 | 0 | 0 | 0 |
| Wholly repayable after five years, not by instalments | 0 | 0 | 0 | 0 |
| Wholly or partially repayable after five years by instalments | 0 | 0 | 0 | 0 |
| | 3,455 | 0 | 3,455 | 3,694 |
| Total | 3,455 | 0 | 3,455 | 3,694 |

| | | | | |
|---|--------------|----------|--------------|--------------|
| Total Repayable after five years by instalments | 2,264 | 0 | 2,264 | 2,503 |
|---|--------------|----------|--------------|--------------|

Loans wholly or partially repayable after five years:

| Terms of payment | Interest Rate % | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------|----------------------|
| Equal instalments - Originating Capital Debt | 8.125 | 3,455 | 3,694 |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

17. Provisions for liabilities and charges

| | Pensions relating to former Directors £000 | Pensions relating to other staff £000 | Clinical negligence £000 | Restruct- uring £000 | Other £000 | 2005 Total £000 | 2004 Total £000 |
|--------------------------|---|--|---|-------------------------------------|-----------------------|--------------------------------|--------------------------------|
| At 1 April 2004 | 189 | 1,159 | 10 | 0 | 269 | 1,627 | 1,550 |
| Arising during the year | 3 | 113 | 157 | 0 | 138 | 411 | 286 |
| Utilised during the year | (63) | (110) | 0 | 0 | (65) | (238) | (184) |
| Reversed unused | (7) | 0 | 0 | 0 | (140) | (147) | (80) |
| Unwinding of discount | 4 | 41 | 6 | 0 | 7 | 58 | 55 |
| At 31 March 2005 | 126 | 1,203 | 173 | 0 | 209 | 1,711 | 1,627 |

17.1 Income and Expenditure Account Charges

| | |
|--------------------------|------------------|
| | £000 |
| Arising during the year | 411 |
| Utilised during the year | (238) |
| Reversed unused | (147) |
| Unwinding of discounts | <u>58</u> |
| | <u>84</u> |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005

NOTES TO THE ACCOUNTS

NOTE 17 (Contd)

Expected Timing of Cash Flow

| | Pensions relating to former Directors £000 | Pensions relating to other staff £000 | Clinical negligence £000 | Restructuring £000 | Other £000 | 2005 Total £000 | 2004 Total £000 |
|---------------|---|--|-----------------------------|-----------------------|---------------|--------------------|--------------------|
| Within 1 year | 29 | 181 | 60 | 0 | 127 | 397 | 254 |
| 1 - 5 years | 97 | 432 | 113 | 0 | 82 | 724 | 755 |
| Over 5 years | 0 | 590 | 0 | 0 | 0 | 590 | 618 |

When it is not probable that a settlement will be required then the claim is disclosed as a contingent liability.

Contingent liabilities in respect of clinical negligence are disclosed Note 25.

All provisions are included at the best estimates of the expenditure required to settle the present obligation at the balance sheet date. The provisions for Pensions are calculated using relevant actuarial tables. The provisions for Clinical Negligence, Public and Employer's Liability, and Employment Law cases, are calculated as the net present value of the reserve figures provided by the Trust's Legal Advisers. The Trust has included an amount in Debtors for expected reimbursements totalling £191,284 for Public & Employer's Liability claims, due from Southern Health & Social Services Board.

Expected reimbursements from the Clinical Negligence Central Fund included in debtors are :-

| | £000 |
|----------------------------------|------|
| Clinical Negligence Central Fund | 173 |

The clinical negligence provision includes £0 for incidents against which claims have not, as yet been received. The related reimbursements, included in debtors, amount to £0.

In addition to the clinical negligence provision, contingent liabilities for clinical negligence are given in Note 25.

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

18. Public Dividend Capital

| | 2005 | 2004 |
|--|---------------------|---------------------|
| | £000 | £000 |
| Public dividend capital was issued as follows: | | |
| During the reporting year | 1,726 | (500) |
| In prior years | <u>5,457</u> | <u>5,957</u> |
| Total | <u>7,183</u> | <u>5,457</u> |

19. Movements on Reserves

| | Revaluation | Donation | Realised | Other | Income and | Total |
|---|----------------------|------------------|-----------------|-------------------|---------------------|----------------------|
| | Reserve | Reserve | Donation | Reserves | Expenditure | Reserve |
| | £000 | £000 | Reserve | £000 | Reserve | £000 |
| At 1 April 2004 | 6,746 | 14 | 0 | 127 | 982 | 7,869 |
| Retained surplus for year | 0 | 0 | 0 | 0 | 58 | 58 |
| Revaluation and indexation of fixed assets | 4,819 | 1 | 0 | 0 | 0 | 4,820 |
| Transfer of realised profits (losses) | (6) | 0 | 0 | 0 | 6 | 0 |
| Movements in donation reserve | 0 | (1) | 0 | 0 | 0 | (1) |
| Fixed Asset Impairments | (132) | 0 | 0 | 0 | 0 | (132) |
| Other reserve movements | <u>0</u> | <u>0</u> | <u>0</u> | <u>(3)</u> | <u>0</u> | <u>(3)</u> |
| At 31 March 2005 | <u>11,427</u> | <u>14</u> | <u>0</u> | <u>124</u> | <u>1,046</u> | <u>12,611</u> |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

20. Reconciliation of Movement in Government Funds

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Surplus for the financial year | 254 | 126 |
| Provisions for future obligations | 43 | (140) |
| Less public dividend capital dividends | <u>(239)</u> | <u>(106)</u> |
| | 58 | (120) |
| Gains from revaluation/indexation of | | |
| Purchased fixed assets | 4,687 | 1,716 |
| Public dividend capital repayments | (206) | (500) |
| Public dividend capital issued | 1,932 | 0 |
| New Government loans issued | 0 | 0 |
| Government loans repayments | (238) | (238) |
| (Reductions) in other reserves | <u>(3)</u> | <u>(4)</u> |
| Net Movement in Government funds | 6,230 | 854 |
| Government funds at 31 March 2004 | <u>17,007</u> | <u>16,153</u> |
| Government funds at 31 March 2005 | <u>23,237</u> | <u>17,007</u> |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

**ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005
NOTES TO THE ACCOUNTS**

21. Financial Performance Targets

21.1 Capital Cost Absorption Duty

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 interest payable on Government borrowing plus dividends payable on public dividend capital, totalling £533,000, bears to the average relevant net assets of £18,783,000, that is 2.8%.

The return for 2004/2005 is calculated as 2.8% (2003/2004 2.7%)

The variance from 3.5% arises due to an under estimate of depreciation for 2004/05

The Capital Cost Absorption Rate is calculated as follows:

Capital Cost Absorption rate (%) = (TDR/Average relevant net assets) x 100

| | |
|--|-------------------|
| | 2005 |
| Trust Debt Remuneration is calculated as: | £000 |
| Interest payable on Government borrowing | 294 |
| Plus | |
| Dividends payable on Public Dividend Capital | <u>239</u> |
| Trust Debt Remuneration | <u><u>533</u></u> |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

Note 21.1 (cont'd)

Average Relevant Net Assets is calculated as:

Average relevant net assets is the simple average of opening and closing relevant net assets, where each is calculated as follows:

| | Opening £000 | Closing £000 | Average £000 |
|---|-----------------|-----------------|-----------------|
| Total capital and reserves* (equivalent to total net assets) | 13,326 | 16,845 | 15,086 |
| Less: | | | |
| Donation reserve | (14) | (14) | (14) |
| Purchased assets in the course of construction | 0 | (25) | (13) |
| Short-term assets | 0 | 0 | 0 |
| Finance lease assets (during their primary lease term) | 0 | 0 | 0 |
| Plus: | | | |
| Loans and overdrafts | 3,909 | 3,538 | 3,724 |
| Finance lease creditors (capital only) | 0 | 0 | 0 |
| Relevant Net Assets | 17,221 | 20,344 | 18,783 |

* Capital and reserves excludes the impact of the national revaluation exercise.

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

21.2 Break Even Performance

The Trust is required to ensure that its income is sufficient to meet its expenditure taking one year with another. Over the last five years the Trust has achieved the following results:

| | 2000/2001 | 2001/2002 | 2002/2003 | 2003/2004 | 2004/2005 |
|---|--------------|--------------|--------------|--------------|--------------|
| | £000 | £000 | £000 | £000 | £000 |
| i. Turnover | 46,481 | 49,991 | 55,483 | 61,713 | 67,429 |
| ii. Operational Surplus / (Deficit) for financial year before provisions and Exceptional Income | 285 | (90) | (45) | 20 | 15 |
| iii. Break Even in year position | 285 | (90) | (45) | 20 | 15 |
| iv. Break Even cumulative position(opening) | 1,872 | 2,157 | 2,067 | 2,022 | 2,042 |
| vi. Other adjustments | 0 | 0 | 0 | 0 | 0 |
| vii. Exceptional Income Year ended 31 March 2001 | 0 | 0 | 0 | 0 | 0 |
| viii. Break Even cumulative position (closing) | <u>2,157</u> | <u>2,067</u> | <u>2,022</u> | <u>2,042</u> | <u>2,057</u> |
| | % | % | % | % | % |
| Materiality Test: | | | | | |
| Break even in year position as % of turnover | <u>0.6%</u> | <u>-0.2%</u> | <u>-0.1%</u> | <u>0.0%</u> | <u>0.0%</u> |
| Break even cumulative position as % of turnover | <u>4.6%</u> | <u>4.1%</u> | <u>3.6%</u> | <u>3.3%</u> | <u>3.1%</u> |

The in - year deficit is within the PRG threshold of materiality of 0.5%; the cumulative surplus exceeds the PRG threshold of materiality of 0.5%, due to surpluses and provisions which arose prior to 1997/98.

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

21.3 External Financing Limit

| | 2005 £000 | 2004 £000 |
|---|----------------------------|----------------------------|
| External Financing Limit set by the Department | <u>4,520</u> | <u>3,720</u> |

The Trust stayed within its External Financing Limit by £2,959,000. The Trust's External Financing Requirement for the year was £1,561,000 and was met as follows:-

| | 2005 £000 | 2004 £000 |
|---------------------------------|----------------------------|----------------------------|
| Increase (decrease) in: | | |
| Public dividend capital | 1,932 | (500) |
| Government long-term loans | (238) | (238) |
| Other long-term loans | 0 | 0 |
| Short-term loans | 0 | 0 |
| Overdrafts | (132) | 215 |
| Finance lease capital creditors | 0 | 0 |
| (Increase) decrease in: | | |
| Short-term investments | 0 | 1,492 |
| Cash at bank and in hand | (1) | 0 |
| | <u>1,561</u> | <u>969</u> |
| External Finance Accessed | <u>1,561</u> | <u>969</u> |

21.4 Capital Resource Limit

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

| | 2005 £000 |
|--|----------------------------|
| Gross Capital Expenditure (charge against the CRL) | 2,791 |
| Capital Resource Limit | <u>2,903</u> |
| Underspend against CRL | <u>112</u> |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

22. Private Finance Transactions

22.1 PFI Schemes deemed to be off balance sheet

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Amounts included within operating expenses in respect of PFI transactions deemed to be off balance sheet | <u>0</u> | <u>0</u> |

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| The Trust is committed to make the following payments during the next year | | |
| PFI scheme which expires within one year | | |
| 2 to 5 years (inclusive) | 0 | 0 |
| 6 to 10 years (inclusive) | 0 | 0 |
| 11 to 15 years (inclusive) | 0 | 0 |
| 16 to 20 years (inclusive) | 0 | 0 |
| 21 to 25 years (inclusive) | 0 | 0 |
| 26 to 30 years (inclusive) | 0 | 0 |
| 31 to 35 years (inclusive) etc. | 0 | 0 |

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Estimated capital value of the PFI schemes | | |
| Carparks | 0 | 0 |
| ATICS Equipment Scheme | 0 | 0 |
| Bed Management Scheme | 0 | 0 |
| Equipment Leases | 0 | 0 |
| Laboratory Equipment Scheme | 0 | 0 |
| | <u>0</u> | <u>0</u> |

Contract start date
Contract end date

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

**ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005
NOTES TO THE ACCOUNTS**

22. Private Finance Transactions

22.2 Service element of PFI schemes deemed to be on balance sheet.

| | 2005 | 2004 |
|---|-------------|-------------|
| | £000 | £000 |
| Amounts included within operating expenses in respect of the 'service' element of PFI schemes deemed to be on balance sheet | <u>0</u> | <u>0</u> |

| | 2005 | 2004 |
|--|-------------|-------------|
| | £000 | £000 |
| The Trust is committed to make the following payments during the next year | | |
| PFI scheme which expires within one year | | |
| 2 to 5 years (inclusive) | 0 | 0 |
| 6 to 10 years (inclusive) | 0 | 0 |
| 11 to 15 years (inclusive) | 0 | 0 |
| 16 to 20 years (inclusive) | 0 | 0 |
| 21 to 25 years (inclusive) | 0 | 0 |
| 26 to 30 years (inclusive) | 0 | 0 |
| 31 to 35 years (inclusive) etc. | 0 | 0 |

The estimated annual payments in future years are expected to be materially different from those which the Trust is committed to make during the next year. The likely financial effect of this is £0 (2004 £0).

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

23. Capital Commitments

Capital commitments at the balance sheet date were:-

| | Finance Leases £000 | Other £000 | 2005 Total £000 | 2004 Total £000 |
|---|------------------------------------|-----------------------|--------------------------------|--------------------------------|
| Contracted | 0 | 0 | 0 | 250 |
| Authorised by the Board, but not contracted | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 250 |

24. Post Balance Sheet Events

There are no post balance sheet events having a material affect on the accounts.

25. Contingent Liabilities

Clinical Negligence

The Trust has contingent liabilities of £237,132 for clinical negligence incidents. The Trust's financial liability, if any, cannot be determined until the related claims are resolved. An estimate of the amount involved, inclusive of legal costs, is:

| | 2005 £000 | 2004 £000 |
|--|----------------------|----------------------|
| Total estimate of contingent clinical negligence liabilities | 237 | 103 |
| Amount recoverable from the Clinical Negligence Central Fund | (237) | (103) |
| Net Contingent Liability | 0 | 0 |

In addition to the above contingent liability, provisions for clinical negligence are given in Note 17.

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

Contingencies not relating to clinical negligence are as follows:

| | 2005 | 2004 |
|------------------------|-------------|-------------|
| | £000 | £000 |
| Public Liability | 39 | 0 |
| Employers' Liability | 75 | 105 |
| Accrued Leave | 0 | 0 |
| Injury Benefit | 0 | 0 |
| Other - Employment Law | 55 | 76 |
| | <hr/> | <hr/> |
| Total | 169 | 181 |
| | <hr/> <hr/> | <hr/> <hr/> |

26. Related party transactions

During the year, none of the Board members, members of the key management staff or other related parties, has undertaken any material transactions with the Craigavon and Banbridge Community HSS Trust.

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

NOTE 27

Analysis of Losses and Special Payments

| TYPE OF LOSS | NO. OF CASES | VALUE £ |
|---|-----------------|---------------|
| 1 Cash Losses - Theft, fraud etc | 4 | 790 |
| 2 Cash Losses - Overpayments of salaries, wages and allowances | 2 | 128 |
| 3 Cash Losses - Other causes (including unvouched and incompletely vouched payments) | 4 | 302 |
| 4 Nugatory and fruitless payments - Abandoned Capital Schemes | 0 | 0 |
| 5 Other nugatory and fruitless payments | 0 | 0 |
| 6 Bad debts and claims abandoned | 9 | 12,394 |
| 7 Stores and Inventory Losses - Theft, fraud, arson (whether proved or suspected) etc | 0 | 0 |
| i. Bedding and linen | 0 | 0 |
| ii. Other equipment and property | 0 | 0 |
| 8 Stores and Inventory Losses - Incidents of the service (result of fire, flood, etc) | 0 | 0 |
| 9 Stores and Inventory Losses - Deterioration in store | 0 | 0 |
| 10 Stores and Inventory Losses - Stocktaking discrepancies | 0 | 0 |
| 11 Stores and Inventory Losses - Other causes | 0 | 0 |
| i. Bedding and linen | 0 | 0 |
| ii. Other equipment and property | 0 | 0 |
| 12 Compensation payments (legal obligation) | | |
| i. Clinical Negligence | 0 | 0 |
| ii. Public Liability | 0 | 0 |
| iii. Employers Liability | 8 | 57,733 |
| 13 Ex-gratia payments - Compensation payments (including payments to patients and staff) | 7 | 697 |
| 14 Ex-gratia payments - Other payments | 0 | 0 |
| 15 Extra statutory payments | 0 | 0 |
| 16 a. Losses sustained as a result of damage to buildings and fixtures arising from bomb explosions or civil commotion. | 0 | 0 |
| b. Damage to vehicles | 0 | 0 |
| TOTAL | 34 | 72,044 |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

NOTE 28

Intra - government balances

| Name | Creditors | Creditors | Debtors | Debtors |
|---|---|---|---|---|
| | Amounts falling due within 1 year | Amounts falling due after more than 1 year | Amounts falling due after more than 1 year | Amounts falling due within 1 year |
| | £000 | £000 | £000 | £000 |
| Other central government bodies | 1,943 | 3,217 | 0 | 442 |
| Northern Ireland Health and Social Services Boards | 7 | 0 | 64 | 2,246 |
| HSS Trusts | 281 | 0 | 0 | 387 |
| NHS Trusts | 0 | 0 | 0 | 0 |
| Agencies and Special Agencies | 57 | 0 | 114 | 60 |
| Non - Departmental Public Bodies | 0 | 0 | 0 | 0 |
| Local Authorities | 0 | 0 | 0 | 1 |
| Public corporations and trading funds | 0 | 0 | 0 | 0 |
| Total | 2,288 | 3,217 | 178 | 3,136 |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

29. Notes to the Cash Flow Statement

29.1 Reconciliation of operating surplus to net cash inflow from operating activities

| | 2005 | 2004 |
|---|---------------------|-------------------|
| | £000 | £000 |
| Operating surplus | 443 | 358 |
| Depreciation charge | 1,002 | 802 |
| Provisions for future obligations (I&E Account) | 43 | (140) |
| Fixed asset impairments | 206 | 0 |
| Transfer from donation reserve | (1) | 0 |
| Non-cash Items | (3) | (4) |
| Increase / (Decrease) in provisions (Balance Sheet) | 84 | 77 |
| Decrease / (Increase) in stocks | (4) | 3 |
| Decrease / (Increase) in debtors | (2,016) | 283 |
| (Decrease) / Increase in creditors | <u>2,046</u> | <u>(477)</u> |
| Net cash inflow from operating activities | <u>1,800</u> | <u>902</u> |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

29.2 Reconciliation of net cash flow to movement in net debt

| | 2005 | | 2004 | |
|--|------|---------|------|---------|
| | £000 | £000 | £000 | £000 |
| (Decrease) in cash in the period | | 133 | | (215) |
| Cash inflow from new debt | | 0 | | 0 |
| Cash outflow from debt repaid and finance lease capital payments | | 238 | | 238 |
| Cash (inflow) from decrease in liquid resources | | 0 | | (1,492) |
| Change in net debt resulting from cash flows | | 371 | | (1,469) |
| Non-cash changes in debt | | 0 | | 0 |
| Net debt at 1 April 2004 | | (3,902) | | (2,433) |
| Net debt at 31 March 2005 | | (3,531) | | (3,902) |

29.3 Analysis of changes in net debt

| | At 1 April 2004 £000 | Cash flows £000 | Non-cash changes £000 | At 31 March 2005 £000 |
|---------------------------|----------------------------|-----------------------|-----------------------------|-----------------------------|
| Cash at bank and in hand | 7 | 0 | 0 | 7 |
| Bank overdrafts | (215) | 132 | 0 | (83) |
| Debt due within 1 year | (238) | 238 | (238) | (238) |
| Debt due after 1 year | (3,456) | 1 | 238 | (3,217) |
| Finance leases | 0 | 0 | 0 | 0 |
| Current asset investments | 0 | 0 | 0 | 0 |
| | <u>(3,902)</u> | <u>371</u> | <u>0</u> | <u>(3,531)</u> |

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

30. Financial Instruments

FRS13, 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 relationships with HSS Commissioners, and the manner in which they are funded, the Craigavon and Banbridge Community H&SS 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 Craigavon and Banbridge Community H&SS Trust has limited powers to borrow or invest surplus funds and financial assets are generated by day-to-day operational activities rather than being held to change the risks facing the Craigavon and Banbridge Community H&SS Trust in undertaking its activities.

31. Third Party Assets

The Trust held £409,101 cash at bank and in hand at 31 March, 2005 which relates to monies held by the Trust on behalf of patients and residents. This has been excluded from cash at bank and in hand figure reported in the accounts. A separate audited account of these monies is maintained by the Trust.

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

STATEMENT OF TRUST'S RESPONSIBILITIES IN RELATION TO PATIENTS AND RESIDENTS MONIES

The Trust is required, by Health and Personal Social Services (Northern Ireland) Order 1991, to prepare and submit accounts in such form as the Department may direct. The Trust is also required to maintain proper and distinct accounting records and is responsible for safeguarding the monies held on behalf of patients and residents, and for taking reasonable steps to prevent and detect fraud and other irregularities.

CRAIGAVON & BANBRIDGE COMMUNITY HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005

ACCOUNT OF MONIES HELD ON BEHALF OF PATIENTS/RESIDENTS

| Previous Year | RECEIPTS | | | |
|----------------|--|--|---------|----------------|
| £ | | | £ | £ |
| | At 1 April 2004 | | | |
| 235,534 | 1. Investments (at cost) | | 253,666 | |
| 58,448 | 2. Cash at Bank | | 110,715 | |
| 0 | 3. Cash in Hand | | 100 | 364,481 |
| 301,636 | Amounts Received in the Year | | | 299,847 |
| 9,890 | Interest Received | | | 17,663 |
| 605,508 | TOTAL | | | 681,991 |
| | PAYMENTS | | | |
| 241,027 | Amounts Paid to or on behalf of Patients/Residents | | | 272,890 |
| | At 31 March 2005 | | | |
| 253,666 | 1. Investments (at cost) | | 264,634 | |
| 110,715 | 2. Cash at Bank | | 144,367 | |
| 100 | 3. Cash in Hand | | 100 | 409,101 |
| 605,508 | TOTAL | | | 681,991 |

Schedule of Investments held at 31 March 2004

| Cost Price £ | Investment | Nominal Value £ | Cost Price £ |
|-----------------|---------------------------------------|--------------------|-----------------|
| 253,666 | Bank of Ireland - Investment Accounts | 264,634 | 264,634 |

I certify that the above account has been compiled from and is in accordance with the financial records maintained by the Trust.

W R CROZIER
9 June 2005

Director of Finance
Date

I certify that the above account has been submitted to and duly approved by the Trust Board.

G HOUSTON
1 August 2005

Chief Executive
Date

Craigavon and Banbridge Health and Social Services Trust

Account of Monies held on behalf of Patients/Residents

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the account on page 123 which the Trust is required by the Health and Personal Social Services (Northern Ireland) Order 1991 to prepare and submit in such form as the Department of Health, Social Services and Public Safety may direct.

Respective Responsibilities of the Board Members and Chief Executive and Auditor

As described on page 122 the Board Members and Chief Executive are responsible for the preparation and submission of the account as required by the Health and Personal Social Service (Northern Ireland) Order 1991 in such form as the Department of Health, Social Services and Public Safety directs and for ensuring the regularity of financial transactions. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the account properly presents the payments and receipts of the monies held on behalf of patients/residents and are properly prepared as required by the Health and Personal Social Services (Northern Ireland) Order 1991 in such form as the Department of Health, Social Services and Public Safety directs, and whether in all material respects the payments and receipts conform to the authorities which govern them. I also report if, in my opinion the Trust has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the account. It also includes an assessment of the judgements made by the Board Members and Chief Executive in the preparation of the account.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the account is free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the payments and receipts conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the account.

Opinion

In my opinion:

- the account properly presents the payments and receipts of the monies held on behalf of patients/residents by the Craigavon and Banbridge Health and Social Services Trust for the year ended 31 March 2005 and balances held at that date and have been properly prepared as required by the Health and Personal Social Services (NI) Order 1991 in such form as the Department of Health, Social Services and Public Safety may direct; and
- in all material respects the payments and receipts conform to the authorities which govern them.

I have no observations to make on this account.

J M Dowdall CB
Comptroller and Auditor General
Date:
26th August 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

**CRAIGAVON AREA HOSPITAL GROUP (HSS) TRUST
ANNUAL ACCOUNTS FOR YEAR ENDED 31 MARCH 2005**

Directors and Advisors

Executive Directors

| | |
|------------------|-------------------------------|
| Mr J W Templeton | Chief Executive |
| Dr C Humphrey | Director of Medical Services |
| Mr L A Stead | Director of Finance |
| Mrs M Richardson | Director of Human Resources |
| Mr J Mone | Director of Nursing & Quality |

Non-Executive Directors

| | |
|---------------|----------|
| Mrs E McClurg | Chairman |
| Mr J Doran | |
| Mr D Capper | |
| Mr A Sleator | |
| Mrs H Kelly | |
| Mrs B Smith | |

Management Directors

| | |
|---------------|---|
| Mr D Herron | Director of Business & Planning |
| Mr A Metcalfe | Director of Estates & Facilities Management |

Secretary & Registered Office

John W Templeton BSc(Econ) MsocSci DMS MHSM
Craigavon Area Hospital Group (HSS) Trust
68 Lurgan Road
PORTADOWN, Craigavon BT63 5QQ

Report of the Directors for the Year ended 31 March 2005

The Directors present their report and the audited accounts for the year ended 31st March 2005.

Group Results and Financial Targets

All Trusts are required to meet four financial duties:

- To achieve an income and expenditure balance in year
- To remain within their approved Capital Resource Limit (CRL)
- To remain within their approved External Financing Limit (EFL)
- To achieve a 3.5% Capital Cost Absorption Duty

The performance of the Craigavon Area Hospital Group (HSS) Trust against these targets is shown below:

| | Target £000 | Achievement £000 |
|------------------------------|------------------------|-----------------------------|
| Income & Expenditure | NIL | 3 |
| Capital Resource Limit | 4,852 | 4,367 |
| External Financing Limit | 3,816 | 3,343 |
| Capital Cost Absorption Duty | 3.5% | 2.6% |

The essence of these requirements is to ensure that the Trust maintains its financial viability while delivering a quality service. Craigavon Area Hospital Group Trust slightly exceeded the target to break even, stayed within its Capital Resource Limit, and returned a Capital Cost Absorption Duty of 2.6%. The Trust also stayed within its External Financing Limit by £473k due to slippage on a small number of capital projects.

Principal Activities

The Trust's principal activity is the provision of acute hospital services to the population of the SHSSB, in particular the Craigavon, Banbridge, Armagh and Dungannon Districts.

The Trust delivers its services from four main sites – Craigavon Area Hospital, South Tyrone Hospital, Lurgan Hospital and Banbridge Polyclinic.

The Trust is committed to the further development of its core activities as detailed in the Trust's 10 year Strategic Development Plan. A £220 million plan has been agreed in principle by the DHSS&PS and the Trust is now preparing an outline business case for this major development.

Directors

The Directors of the Trust at 31st March 2005 are listed on page 2.

Mrs McClurg was re-appointed as Chairman of the Trust during the year for another four year term until 22nd November 2008. In addition, Mr A Sleator, Mr D Capper and Mrs H Kelly have been re-appointed as Non-Executive Directors of the Trust for a further four year term from 23 June 2005.

Risk Management, Governance and Controls Assurance

Risk management and governance are now an integral part of the services provided by the HPSS. The importance of risk management and governance has increased over the last number of years, with a culmination in HPSS bodies being required to produce a Statement on Internal Control (SIC) encompassing all internal controls. It is recognized that the development of an organization-wide system of risk management is central to the maintenance of effective internal controls. AS/NZS 4360:1999 has been identified as the common organisation-wide system of risk management to be adopted by all HPSS bodies.

HSS (PPM) 5/2003 “Governance in the HPSS: Risk Management and Controls Assurance” defined the work to be undertaken by HPSS bodies in 2003/04. This identified the key tasks in 2003/04 for the development of the risk management and governance agenda. HSS(PPM) 1/2005 “Governance in the HPSS: Reporting compliance with Controls Assurance Standards for 2004/05” specified the levels of compliance required for the fourteen controls assurance standards applicable in 2004/05. These were Financial Management, Risk Management, Governance, Infection Control, Decontamination of Re-Usable Medical Devices, Medicines Management, Human Resources, Health and Safety, Information and Communications Technology, Waste Management, Environmental Management, Buildings, Land, Plant and Non-medical Equipment, Medical Devices and Equipment Management and Fire Safety. The Trust achieved the appropriate level of compliance for all these standards, with the exception of Infection Control and Decontamination of Re-Usable Medical Devices where substantive compliance was required but high moderate achieved.

The Trust has a functioning risk register and work is ongoing on monitoring and developing this area. A corporate level risk register has also been developed.

In recognition of the fact that work is in progress by the Trust on the full introduction of a risk-based approach to internal control across all functions of the organization, the Statement on Internal Control has been developed to accurately reflect the position of the Trust for the year ended 31st March 2005. This statement identifies what has been done and what is planned in order to achieve a full risk based approach to internal control across all functions of the organisation and to achieve the required levels of compliance with relevant controls assurance standards in 2005/06.

The Accountable Officer has given assurance on behalf of the Trust Board for 2004/05 in the Annual Accounts.

Financial Standing

As at 31st March 2005, the Trust has an accumulated deficit of £572k which when adjusted for timing differences and other technical adjustments of £1,419k leaves an accumulated financial surplus of £847k which reflects the true managerial performance of the Trust.

The accounts for 2004/05 have been prepared on a going concern basis as the Trust continues to be involved in a financial recovery process, the aim of which is to return the Trust to financial stability over an agreed timeframe. The Trust maintained financial stability in year with assistance from both its main commissioner, the SHSSB, and from the Department of Health, Social Services and Public Safety as agreed in the Financial Recovery Plan. In addition, the Trust exceeded its savings target of £1.4m. However, the Trust is faced with a further savings target of £1.4m for 2005/06 as part of the financial recovery plan, together with efficiency and cash releasing savings targets. A 2.5% efficiency target has been imposed by Government for 2005/06 together with a 0.5% cash release target imposed by the Department of Health, Social Services and Public Safety. The Trust has plans in place to begin addressing these targets but recognize that a level of risk is inherent in the achievement of these plans to the degree that they impact on the achievement of other Priorities for Action targets.

The Trust is also carrying a number of financial risks associated with the implementation of pay reform agenda, Agenda for Change and the new consultants contract.

The financial recovery plan continues to be monitored for progress by the Finance and General Purposes Committee of the Trust, a sub-committee of the Trust Board, the SHSSB and the Department of Health, Social Services and Public Safety.

Future Developments

The DHSS&PS has agreed in principle to the Trust's Strategic Development Plan for the future provision of its service infrastructure, covering a period of 10 years. This will culminate in a major capital investment of approximately £220m over the timeframe. The Trust has been working on the development of an outline business case for this plan.

Work will commence during 2005/06 on the construction of a new twenty bed elective treatment centre which will substantially assist in the management of elective patients and the achievement of waiting list targets.

The Trust is also continuing to work in partnership with Armagh & Dungannon HSS Trust on an overall development plan for South Tyrone Hospital site, incorporating both Trusts' development proposals. The work will focus on infrastructure improvements and developments which are required to facilitate and support the Hospital's development as a fully operational local hospital, complimenting the provision of community services.

Furthermore, the Trust is developing business cases in 2005/06 to provide expansion of the theatre capacity within the Trust, in addition to a number of other projects.

Employment Policies

The Trust's employment policies, including the commitment to fair and equal opportunity, are designed to enable it to function as a good employer and to attract, retain and motivate high quality staff, consistent with and adhering to the principles within Section 75 of the 1998 Northern Ireland Act. Effective employee communications are given a high priority by the Trust Board and management. It is the Trust's policy to promote the understanding and involvement of all its employees in the Trust's aims, objectives and performance.

Public Sector Payment Policy

The Non HPSS Trade Creditor payment policy of the Trust is to comply, as far as possible, with both the CBI Prompt Payment Code and Government Accounting Rules.

Government Accounting Rules state that “the timing of payment should normally be stated in the contract ... where there is no contractual provision, departments, should pay within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later”.

The prompt payment indicator of 89.9 % in 2004/05 showed a very slight decrease of 0.9% from prior year levels of 90.8%.

Fixed Assets and Capital Resource Limit

Capital expenditure during the year amounted to £6.13m including both purchased and donated asset additions. This high level of expenditure is largely attributable to a couple of projects which completed during the year, namely the Magnetic Resonance Imaging Service and the Multi-Disciplinary Education Centre. The Magnetic Resonance Imaging Service was largely funded by the New Opportunities Fund which contributed £1.45m in 2004/05.

Funding for capital expenditure (excluding donated assets) is controlled through the Capital Resource Limit which was £4.85m in the year ended 31st March 2005. The Trust was under spent against its Capital Resource Limit by £485k in year but has applied for most of these funds to be made available in 2005/06.

The Trust's Estate was re-valued by the Valuation and Lands Agency as at 31st March 2005. This resulted in valuation gains of £7,295k, including a significant increase of £3,833k in the value of land. Downward valuations of £1,118k were also identified but £964k of this is attributable to a diminution in value in bringing the newly constructed assets of the Multi-Disciplinary Education Centre and the Magnetic Resonance Imaging Service into use in year, rather than as a result of the five yearly revaluation exercise. Temporary negative revaluation reserves are permitted to be held for these newly constructed assets.

The Trust is carrying forward a revaluation reserve of £11.18m at 31st March 2005. The large increase in value is attributable to the revaluation of the Trust's estate. However, the Trust continues to carry a negative balance of £6.63m in respect of Craigavon Area Hospital which arose at the time of the previous revaluation of the Estate on 1st April 2000.

The carrying value of land and buildings (including relevant assets under construction) at 31st March 2005 is £47.81m. This value is based on the Valuation and Lands Agency's assessment as at 31st March 2005.

Management Costs

The management costs for 2004/05 have increased marginally as a % of income when compared to 2003/04. The costs amounted to £3.68m, being 3.8% of income compared to prior year levels of 3.7%. This increase largely reflects the replacement of a number of management vacancies which had arisen within the Trust. The Trust continues to maintain its'

management costs at a low level despite the increasing demands being placed upon the management agenda within the HPSS.

Post Balance Sheet Events

The Trust has agreed the sale of a portion of land at Banbridge Polyclinic site for £185k, subject to minor works being carried out in 2005/06, costing approximately £90k.

FOREWORD

These accounts for the year ended 31 March 2005 have been prepared in accordance with Article 90(2)(a) of the Health and Personal Social Services (Northern Ireland) Order 1972, as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003, in a form directed by the Department of Health, Social Services and Public Safety.

STATEMENT OF CRAIGAVON AREA HOSPITAL GROUP (HSS) TRUST'S RESPONSIBILITIES AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under the Health and Personal Social Services (Northern Ireland) Order 1972 (as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003), the Craigavon Area Hospital Group (HSS) Trust is required to prepare financial statements for each financial year in the form and on the basis determined by the Department of Health, Social Services and Public Safety. The financial statements are prepared on an accruals basis and must provide a true and fair view of the state of affairs of the Craigavon Area Hospital Group (HSS) Trust, of its income and expenditure and cash flows for the financial year.

In preparing the financial statements the Trust is required to:

- observe the accounts direction issued by the Department of Health, Social Services and Public Safety including relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- make judgements and estimates on a reasonable basis.
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements.
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Trust will continue in operation.
- keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust.
- pursue and demonstrate value for money in the services the Trust provides and in its use of public assets and the resources it controls.

The Permanent Secretary of the Department of Health, Social Services and Public Safety as Accounting Officer for health and personal social services resources in Northern Ireland has designated Mr J W Templeton, Chief Executive of Craigavon Area Hospital Group (HSS) Trust, as the Accountable Officer for the Trust. His relevant responsibilities as Accountable Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accountable Officer Memorandum, issued by the Department of Health, Social Services and Public Safety. The Accountable Officer is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

STATEMENT ON INTERNAL CONTROL

The Board of Craigavon Area Hospital Group HSS Trust is accountable for internal control. As Accountable Officer and Chief Executive of Craigavon Area Hospital Group HSS Trust, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the organisation, and for reviewing the effectiveness of the system.

Purpose of the system of internal control

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

The system of internal control is based on an ongoing process designed to:

- Identify and prioritise the risks to the achievement of organisational aims and objectives
- Evaluate both the likelihood of risks being realised and the potential impact if they are realised.
- Manage risks as efficiently, effectively and economically as possible.

The system of internal control has been in place within Craigavon Area Hospital Group HSS Trust for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Department of Finance and Personnel guidance.

The Trust Board exercises strategic control over the operation of the organisation through a system of corporate governance, which includes:

- a schedule of matters which reserves for the Trust Board decision making authority for a stipulated number of items.
- a scheme of delegation, which delegates decision making authority within set parameters to the Chief Executive and other officers of the Trust
- standing orders, which determine how the Trust Board transacts its business
- standing financial instructions, which determine how the Trust transacts its financial business
- the establishment of a Sub-Committee structure consisting of the following:
 - Audit Committee (which has both a corporate and financial governance role)
 - Terms of Service & Remuneration Committee
 - Finance and General Purposes Committee
 - Clinical and Social Care Governance Committee
 - Complaints Review Committee
 - Consultants Discretionary Points Committee

Risk Management and Corporate Governance Framework

The Trust's capacity to manage risk is addressed through the following measures:

- leadership is given to the risk management process by the Chief Executive as Accountable Officer and as the nominated Board level Director with responsibility for risk (as required by HSS (PPM) 3/2002)
- the Trust Board approved a Corporate Governance Framework in June 2003 which outlines the structures necessary to provide a sound and robust corporate governance and risk management system, controlled by three main committees: Audit Committee, Clinical and Social Care Governance Committee and Finance and General Purposes Committee. This framework has been the subject of review during 2004/05.
- the Trust carried out a baseline self-assessment of the status of its compliance with all applicable controls assurance standards, including the core standards of risk management, governance and financial management. Action plans have been developed in order to improve compliance during 2005/06 against the criteria laid down in the standards.
- the Trust has a risk management strategy, which sets out a control strategy for each of the significant risks. This strategy is planned to be reviewed by the Risk Management Committee in 2005/06.
- A Risk Management Committee was established in 2004/05 to ensure that procedures have been put in place for verifying that aspects of risk management and internal control are regularly reviewed and reported, and that risk management begins to be fully embedded into the corporate planning and decision making processes. The committee provides strategic direction on all risk management matters.
- The risk management system complies with the international risk management standard AS/NZS 4360:1999.
- the Trust has a functioning organisation-wide risk register, which enables risks to be highlighted and appropriate action taken. A Corporate Risk Register is under development by the Risk Management Committee and will be adopted in early 2005/06.
- the Trust ensures that staff are trained in risk assessment and risk management techniques and where possible professional qualifications are sought (e.g within Occupational Health and Safety Dept, Estates Management Dept, Fire Safety Dept)
- all staff are given access to fire safety training
- staff are trained in subject matters which are appropriate to their authority and duties and which manage risk (e.g. Infection Control, COSHH, Food Hygiene, Health & Safety etc)
- the Trust has processes and systems to enable managers to carry out risk assessments where required, to report findings and to recommend remedial action
- the Trust commissions ,where appropriate, external risk management advisors to undertake risk assessments and to provide risk management advice
- the Trust has a prioritised Fire Code Compliance Plan and all estate works projects are risk assessed and prioritised using the Safecode computer application.
- With regard to the wider control environment the Craigavon Area Hospital Group HSS Trust has in place a range of organisational controls, commensurate with the current assessment of risk, designed to ensure the efficient and effective discharge of its business

in accordance with the law, DHSSPS direction and best practice. Every effort is made to ensure that the objectives of the Craigavon Area Hospital Group HSS Trust are pursued in accordance with the recognised and accepted standards of public administration.

Examples include:

- the Craigavon Area Hospital Group HSS Trust's recruitment and selection policies are based on the principle of equality of opportunity and controls are in place to ensure that all such decisions are taken in accordance with the relevant legislation.
- the Trust screens all proposed policies to ensure that they comply with the equality requirements of S75 of the 1998 Northern Ireland Act.
- all estate works projects are prioritised and assessed to ensure compliance with relevant legislation.
- The system of internal financial control is based on a framework including the provision of regular financial information to all levels of management within the organisation, administrative procedures based on the principle of segregation of duties and a system of delegation and accountability. It specifically includes the following:
 - comprehensive budgeting systems with an annual budget which is reviewed and approved by the Trust Board
 - regular reviews by the Trust Board and its sub-committees, where applicable, of periodic (monthly) financial reports which indicate financial performance against forecast and plan
 - the setting of targets to measure financial and other non-financial performance
 - clearly defined capital investment control guidelines
 - formal budget management disciplines

Independent Review of the system of internal control in 2004/05

Independent Review By The Internal Auditor in 2004/05

The Craigavon Area Hospital Group HSS Trust has an internal audit function which operates to defined standards and whose work is informed by an analysis of risk to which the Trust is exposed. Annual internal audit plans are informed by the analysis and assessment of such risk

The Internal Audit plan for 2004/05 allowed for the review of the following systems and controls assurance standards:

- Review of base-line assessments of the following controls assurance standards
 - Financial Management
 - Risk Management
 - Governance
 - Decontamination of Re-Usable Medical Devices
 - Fire Safety
 - Infection Control
 - Medical Devices and Equipment Management
 - Information and Communications Technology

- Inventory Management – Pharmacy, Laundry and Laboratories
- Revenue Asset Register
- Financial Ledger
- Losses and Compensation Payments – maintenance of Losses Register
- Payroll
- Staff Travel and Subsistence Claims
- Non-Pay Expenditure
- Central Debtors system
- Income from Private/Category 2 patients
- Charitable Funds
- Cash and Bank
- Information and Communications Technology – Laundry System
- Counter Fraud work with focus on Agency staff and Counter Fraud Strategy

In addition, the Internal Auditor commissioned through an external and independent source, a review of baseline compliance against both the Infection Control and Decontamination of Re-usable Medical Devices controls assurance standards.

The Internal Auditor, in his Annual Report for 2004/05, has reported that, based on the work performed, adequate and effective systems of internal control had been established and maintained by management for the majority of systems and partial assurance on controls was given on the remainder. As with all systems of control in any organisation, some weaknesses were identified in a number of areas. Recommendations to address these control weaknesses will be implemented during 2005/06 wherever possible.

Review by Other Independent Sources

The Trust commissioned a review by an external and independent source, of the system of internal control for Medicines Management.

Other critical work undertaken in 2004/05

The following critical work was also undertaken in 2004/05:

- Review of the membership of the Clinical and Social Care Governance Committee in order to provide the Committee with more focus.
- Establishment of a work plan for 2005/06 for the Clinical and Social Care Governance Committee.
- Establishment of a Risk Management Committee.
- Development of a documented Assurance Framework.
- Work to ensure substantive compliance with the core risk management and governance standards.
- Work to achieve accreditation against BSI quality assurance standard ISO 9001: 2000 for the Equipment Quality Management System within the organisation.

Review of Effectiveness

As Accountable Officer, I have responsibility for the review of effectiveness of the system of internal control for the Trust.

My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditor and the executive managers within the Craigavon Area Hospital Group HSS Trust who have responsibility for the development and maintenance of the internal control framework.

My review is also informed by the work of the External Auditor and I have relied on comments and recommendations made by them in their management letter, other reports published by them and minutes of Audit Committee meetings they have attended.

There are no significant internal control problems, although improvements are required in the following areas:

- Compliance in 2004/05 against the standards of infection control and decontamination of re-usable medical devices was assessed as moderate and did not achieve substantive compliance. This will be addressed urgently in 2005/06.
- Clinical incident reporting and experiential learning requires to be improved.
- Whilst improvements have been made in 2004/05 in terms of developing a governance infrastructure within the organisation, further integration and embedding of all of the strands of governance is required during 2005/06, to ensure that it is part of the day to day business of the organisation.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee and the Trust Board and have ensured that a plan to address weaknesses and provide continuous improvement to the system is in place.

16 August 2005

John W Templeton

Accountable Officer

CRAIGAVON AREA HOSPITAL GROUP (HSS) TRUST

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements on pages 142 to 189 under the Health and Personal Social Services (Northern Ireland) Order 1972 as amended. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 146 to 151.

Respective responsibilities of the Board Members, Chief Executive and Auditor

As described on page 133, the Board Members and Chief Executive are responsible for the preparation of the financial statements in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972 as amended and Department of Health, Social Services and Public Safety directions made thereunder and for ensuring the regularity of financial transactions. The Board Members and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession. I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972 as amended and Department of Health, Social Services and Public Safety directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Trust has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 135 to 139 reflects the Trust's compliance with the Department of Health, Social Services and Public Safety's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Health, Social Services and Public Safety, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Chief Executive's statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial

statements. It also includes an assessment of the significant estimates and judgements made by the Board Members and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Craigavon Area Hospital Group HSS Trust at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year ended and have been properly prepared in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972 as amended and directions made thereunder by the Department of Health, Social Services and Public Safety; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

J M Dowdall CB
Comptroller and Auditor General
26 August 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

| | NOTE | 2005 £000 | 2004 £000 |
|--|------|------------------|-------------------|
| Income from Activities | 2 | 84,090 | 77,874 |
| Other Operating Income | 3 | <u>19,781</u> | <u>15,964</u> |
| | | 103,871 | 93,838 |
| Operating Expenses | 4,5 | <u>(102,942)</u> | <u>(93,298)</u> |
| OPERATING SURPLUS | | 929 | 540 |
| Profit/(loss) on disposal of Fixed Assets | 7 | <u>31</u> | <u>(1)</u> |
| SURPLUS BEFORE INTEREST | | 960 | 539 |
| Interest Receivable | | 155 | 169 |
| Interest Payable | 8 | <u>(650)</u> | <u>(696)</u> |
| SURPLUS FOR THE FINANCIAL YEAR | | 465 | 12 |
| Public Dividend Capital Dividends Payable | 15 | <u>(462)</u> | <u>(9)</u> |
| OPERATIONAL SURPLUS BEFORE PROVISIONS | 21 | 3 | 3 |
| Provisions for Future Obligations | 9.1 | <u>28</u> | <u>138</u> |
| RETAINED SURPLUS FOR THE FINANCIAL YEAR | | <u><u>31</u></u> | <u><u>141</u></u> |
| BREAK EVEN POSITION | 21 | <u><u>3</u></u> | <u><u>3</u></u> |

The notes 1 to 31 on pages 146 to 189 form part of these accounts.

All Income and Expenditure is derived from continuing activities.

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

BALANCE SHEET AS AT 31 MARCH 2005

| | NOTE | 2005 | | 2004 | |
|--|------|--------------|----------------------|--------------|----------------------|
| | | £000 | £000 | £000 | £000 |
| FIXED ASSETS | | | | | |
| Intangible assets | 10 | | 2 | | 3 |
| Tangible assets | 11 | | <u>56,633</u> | | <u>44,626</u> |
| | | | 56,635 | | 44,629 |
| CURRENT ASSETS | | | | | |
| Stocks and work in progress | 12 | 1,568 | | 1,288 | |
| Debtors: Amounts falling due | | | | | |
| Within one year | 13 | 7,960 | | 5,175 | |
| After one year | 13 | 2,655 | | 3,492 | |
| Short term investments | 14 | - | | - | |
| Cash at bank and in hand | | <u>1,715</u> | | <u>2,854</u> | |
| | | | 13,898 | | 12,809 |
| Creditors: Amounts falling due within one year | 15 | | <u>(9,471)</u> | | <u>(7,837)</u> |
| NET CURRENT ASSETS | | | <u>4,427</u> | | <u>4,972</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 61,062 | | 49,601 |
| Creditors: Amounts falling due after more than one year | 15 | | (6,825) | | (7,371) |
| Provisions for Liabilities and Charges | 17 | | <u>(4,992)</u> | | <u>(6,353)</u> |
| TOTAL ASSETS EMPLOYED | | | <u>49,245</u> | | <u>35,877</u> |
| FINANCED BY: CAPITAL AND RESERVES | | | | | |
| Public dividend capital | 18 | | 34,375 | | 31,675 |
| Revaluation reserve | 19 | | 11,177 | | 1,905 |
| Donation reserve | 19 | | 3,363 | | 1,851 |
| Realised donation reserve | 19 | | - | | - |
| Other reserves | 19 | | 902 | | 1,056 |
| Income and expenditure reserve | 19 | | <u>(572)</u> | | <u>(610)</u> |
| | | | <u>49,245</u> | | <u>35,877</u> |

The notes 1 to 31 on pages 146 to 189 form part of these accounts

I certify that the attached financial statements and annual report were approved by the Board of Directors on 16 August 2005.

E McClurg Chairman 16 August 2005

John W Templeton Chief Executive 16 August 2005

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

| | 2005 | | 2004 | |
|--|--------------|-----------------------|--------------|---------------------|
| | £000 | £000 | £000 | £000 |
| Net Cash Inflow from Operating Activities (Note 29.1) | | 1,577 | | 6,329 |
| Returns on Investments and Servicing of Finance | | | | |
| Interest received | 155 | | 169 | |
| Interest paid | (652) | | (697) | |
| Interest element of finance lease rental payments | <u>-</u> | | <u>-</u> | |
| Net Cash (Outflow) from returns on Investments and Servicing of Finance | | (497) | | (528) |
| Capital Expenditure | | | | |
| Payments to acquire tangible fixed assets | (4,507) | | (2,589) | |
| Receipts from sale of tangible fixed assets | <u>41</u> | | <u>4</u> | |
| Net Cash (Outflow) from Capital Expenditure | | (4,466) | | (2,585) |
| Dividends Paid | | (9) | | (1,254) |
| Net Cash (Outflow)/Inflow before Financing | | <u>(3,395)</u> | | <u>1,962</u> |
| Financing | | | | |
| New money capital reserve | 52 | | 78 | |
| New public dividend capital | 2,750 | | - | |
| Repayment of loans - Government | <u>(546)</u> | | <u>(546)</u> | |
| Net Cash Inflow/(Outflow) from Financing | | <u>2,256</u> | | <u>(468)</u> |
| (Decrease)/Increase in Cash (Notes 29.2 and 29.3) | | <u><u>(1,139)</u></u> | | <u><u>1,494</u></u> |

The notes on page 187 and 188 form part of this statement.

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2005

| | 2005 | | 2004 | |
|--|--------------|----------------------|----------|---------------------|
| | £000 | £000 | £000 | £000 |
| Surplus for the financial year | | 465 | | 12 |
| Provisions for future obligations | | <u>28</u> | | <u>138</u> |
| | | 493 | | 150 |
| Fixed asset impairment losses | | (836) | | (14) |
| Non donated Fixed Assets | | | | |
| Indexation of fixed assets | 2,851 | | 3,277 | |
| Unrealised Surplus on revaluation of fixed assets | <u>7,264</u> | | <u>-</u> | |
| | | 10,115 | | 3,277 |
| Donated Assets | | | | |
| Additions to donated assets | 1,763 | | 823 | |
| Changes to donation reserve (except transfers to realised donation reserve) | <u>(92)</u> | 1,671 | 77 | <u>900</u> |
| Total recognised gains and losses relating to the year | | 11,443 | | 4,313 |
| Additions to Capital Assets Reserve | | <u>52</u> | | <u>78</u> |
| TOTAL GAINS RECOGNISED IN THE FINANCIAL YEAR | | <u><u>11,495</u></u> | | <u><u>4,391</u></u> |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

1.1 Authority

These accounts have been prepared in a form determined by the Department of Health, Social Services and Public Safety in accordance with the requirements of Article 90(2)(a) of the Health and Personal Social Services (Northern Ireland) Order 1972 No 1265 (NI 14) as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003.

1.2 Accounting Convention

These accounts have been prepared under the historical cost convention as modified by the indexation and revaluation of tangible fixed assets.

1.3 Basis of Preparation of Accounts

The accounts have been prepared in accordance with the 2004/05 HPSS Trust Manual of Accounts issued by the Department of Health, Social Services and Public Safety.

The accounting policies contained in that Manual follow UK generally accepted accounting practice (UK GAAP) to the extent that it is meaningful and appropriate to HPSS Trusts. The accounting policies are selected in accordance with the principles set out in FRS 18 "Accounting Policies" as the most appropriate for giving a true and fair view. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The principal variations between UK GAAP and the accounting policies directed by the Department of Health, Social Services and Public Safety are:

Paragraph 20 of Financial Reporting Standard 3 "Reporting Financial Performance" requires certain items of expenditure to be separately disclosed in the income and expenditure account after operating surplus/(deficit). These expenditure items do not include the costs associated with provision for liabilities and charges which are normally included within the calculation of the operating surplus/(deficit). However, as the Department measures the operating performance of Trusts by reference to the operating surplus/(deficit) excluding the impact of certain provisions, the income and expenditure account is presented to disclose the operating surplus/(deficit) before provisions for future obligations.

Financial Reporting Standard 15 "Tangible Fixed Assets" requires impairment losses on revalued fixed assets to be recognised in the statement of total recognised gains and losses until the carrying value of the asset falls below depreciated historic cost, at which stage any further impairments are recognised in the income and expenditure account.

However, where an impairment arises due to consumption of economic benefits FRS 15 requires the loss to be recognised in the income and expenditure account in its entirety.

In the context of their capital accounting HSS Trusts take those impairment losses resulting from short term changes in price that are considered to be recoverable, 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.

1.4 Intangible fixed assets

Intangible fixed 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 (either individually or as a grouped asset).

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 (either individually or as a grouped asset). 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 they:

- individually have a cost of at least £5,000; OR
- they satisfy the criteria of a grouped assets i.e. collectively have a cost of at least £5,000, are functionally interdependent, broadly simultaneous purchase dates, and anticipated to have simultaneous disposal dates, under single managerial control and have an individual cost of £1,000 ; 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.

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 FRS 15 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 Valuations and Land Agency. 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, Social Services and Public Safety. In accordance with the requirements of the Department, asset valuations were undertaken in 2004/05 as at the valuation date of 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 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 cost. 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 a 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 Trusts 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.

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 Research and development

Research and development expenditure is charged against income in the year in which it is incurred, except in so far as development expenditure relates to a clearly defined project and the benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project.

1.8 Private Finance Initiative (PFI) transactions

The HPSS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides definitive guidance for the application of the FRS 5 Amendment.

PFI schemes are schemes under which the PFI operator receives an annual payment from the Trust for the services provided by the PFI operator.

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.

1.9 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.

1.10 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 adjusted using the Treasury's discount rate of 3.5% in real terms.

Provisions for clinical negligence are recognised only where it is more probable than not that a settlement will be required.

1.11 Clinical negligence central fund

A Clinical Negligence Central Fund was established in 1998 to manage the payment of clinical negligence settlements. HSS Trusts are reimbursed by the Central Fund for payments made. Reimbursements are accounted for as income.

The reimbursements from the Central Fund in respect of clinical negligence liabilities and provisions are included within debtors.

1.12 Pensions

The Trust participates in the HPSS Superannuation Scheme. Under this multi-employer defined benefit scheme both the Trust and employees pay specified percentages of pay into the scheme and the liability to pay benefit falls to the DHSSPS. The Trust is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and

reliable basis. Further information regarding the HPSS Superannuation Scheme can be found in the HPSS Superannuation Scheme Statement in the Departmental Resource Account for the Department of Health, Social Services and Public Safety.

The costs of early retirements are met by the Trust and charged to the Income and Expenditure Account at the time the Trust commits itself to the retirement.

1.13 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 31 to the accounts.

1.14 Leases

Assets held under finance leases are capitalised at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is subject to indexation and revaluation and is depreciated on its current fair value over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of interest on the outstanding balance. Rentals under operating leases are charged to the Income and expenditure Account in the year in which they arise.

1.15 Losses

This note (Note 27) is a memorandum statement unlike most notes to the accounts which provide further detail of figures in the primary accounting statements. Most of the contents will be included in operating expenses.

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

2. Income from Activities

| | 2005 £000 | 2004 £000 |
|---|----------------------------|----------------------------|
| NI Health and Social Services Boards | 83,059 | 77,011 |
| GB/Republic of Ireland Health Authorities | 16 | 16 |
| HSS Trusts | 4 | 6 |
| Non-HPSS: | | |
| - private patients | 366 | 416 |
| - other | 645 | 425 |
| Clients contributions | - | - |
| Total | <u>84,090</u> | <u>77,874</u> |

3. Other Operating Income

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Patient transport services | - | - |
| Other income from non-patient services | 12,876 | 11,757 |
| NIMDTA/NICPMDE | 2,206 | 1,876 |
| SUMDE | 661 | 640 |
| Charitable and other contributions to expenditure | 596 | 520 |
| Transfers from the donation reserve in respect of depreciation on donated assets | 159 | 138 |
| Income in respect of fixed asset impairments | 50 | 1 |
| Clinical Negligence Central Fund | 2,548 | 574 |
| Reversal of fixed asset impairments | - | - |
| Other income | 685 | 458 |
| Total | <u>19,781</u> | <u>15,964</u> |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

4. Operating Expenses

4.1 Operating Expenses are as follows:-

| | 2005 | Restated |
|--|-----------------------|----------------------|
| | £ | 2004 |
| | | £ |
| Salaries and wages (excluding board members' remuneration) | 66,323 | 59,700 |
| Executive Board members remuneration | 436 | 422 |
| Non-executive Board members remuneration | 49 | 49 |
| Supplies and services - clinical | 14,901 | 13,872 |
| Supplies and services - general | 2,541 | 2,537 |
| Establishment | 1,297 | 1,254 |
| Transport | 10 | 9 |
| Premises | 5,297 | 5,868 |
| Bad debts | (137) | 6 |
| Depreciation and amortisation | 3,226 | 3,047 |
| Fixed asset impairments | 75 | 219 |
| Purchase of care from non-HPSS bodies and grants to voluntary organisations | 2 | 1 |
| Personal social services | - | - |
| Recharges from other HPSS organisations | 4,934 | 4,668 |
| Clinical Negligence Payments: | | |
| - Provisions Utilised | 2,546 | 559 |
| - Other | 2 | 15 |
| Audit fees | 23 | 19 |
| Other auditors remuneration | - | - |
| Miscellaneous | 1,417 | 1,053 |
| Total | <u>102,942</u> | <u>93,298</u> |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

4.2 Operating Leases

Operating expenses include the following amounts in respect of hire and operating lease rentals:

| | 2005 £000 | 2004 £000 |
|-----------------------------|----------------------------|----------------------------|
| Hire of plant and machinery | <u>392</u> | <u>483</u> |

Commitments under non-cancellable operating leases are:

| | 2005 £000 | 2004 £000 |
|--------------------------------|----------------------------|----------------------------|
| Operating leases which expire: | | |
| Within 1 year | 41 | 38 |
| Between 1 and 5 years | 583 | 903 |
| After 5 years | - | - |
| | <u>624</u> | <u>941</u> |

None of the leases relate to land or buildings

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

NOTE 5.1

5.1 Staff Costs

| | Directly employed £000 | Other £000 | 2005 £000 | Restated 2004 £000 |
|---|---------------------------------------|-----------------------|----------------------|-----------------------------------|
| Salaries and Wages | 58,247 | 604 | 58,851 | 52,754 |
| Social security costs | 4,078 | - | 4,078 | 3,887 |
| Pension Costs for early retirement reflecting the single lump sum to buy over the full liability | - | - | - | - |
| Other pension costs | 3,320 | - | 3,320 | 3,100 |
| Early departure costs | - | - | - | - |
| Total | 65,645 | 604 | 66,249 | 59,741 |

5.2 Average Number of Persons Employed

| | Directly employed No | Other No | 2005 No | Restated 2004 No |
|----------------------------------|-------------------------------------|---------------------|--------------------|---------------------------------|
| Medical and dental | 220 | 13 | 233 | 210 |
| Nursing and Midwifery | 1,048 | 67 | 1,115 | 1,046 |
| Professions Allied to medicine | 301 | - | 301 | 279 |
| Ancillaries | 93 | 2 | 95 | 90 |
| Administrative and clerical | 397 | 12 | 409 | 377 |
| Ambulance staff | - | - | - | - |
| Works | 9 | - | 9 | 9 |
| Other Professional and technical | 5 | - | 5 | 6 |
| Social Services | 12 | - | 12 | 11 |
| Other | 79 | - | 79 | 69 |
| Total | 2,164 | 94 | 2,258 | 2,097 |

Figures refer to wholetime equivalents (WTEs) rather than individuals

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

NOTE 5 (Contd)

5.3 Senior Employees' Remuneration

The salary, pension entitlements and the value of any taxable benefits in kind of the most senior members of the Trust were as follows:

| Name | Salary, including Performance Pay £000 | Benefits in Kind (rounded to nearest £100) | Real increase in pension and related lump sum at age 60 £000 | Total accrued pension at age 60 and related lump sum £000 | CETV at 31/03/04 £000 | CETV at 31/03/05 £000 | Real increase in CETV £000 |
|------------------------------|---|--|---|--|--------------------------|--------------------------|-------------------------------|
| Non-Executive Members | | | | | | | |
| Mrs E McClurg | 20-25 | | | | | | |
| Mr J Doran | 5-10 | | | | | | |
| Mr A Sleator | 5-10 | | | | | | |
| Mr D Capper | 5-10 | | | | | | |
| Mrs H Kelly | 5-10 | | | | | | |
| Mrs TB Smith | 5-10 | | | | | | |
| Executive Members | | | | | | | |
| Mr J W Templeton | 85-90 | 34 | 2 - 2.5 plus 7 - 30-35 plus 7.5 | 100-105 lump sum lump sum | 543 | 591 | 23 |
| Dr C A Humphrey | "Consent to disclosure withheld" | | | | | | |
| Mr L A Stead | "Consent to disclosure withheld" | | | | | | |
| Mr J E Mone | "Consent to disclosure withheld" | | | | | | |
| Mrs E M Richardson | "Consent to disclosure withheld" | | | | | | |
| Mr D Herron | "Consent to disclosure withheld" | | | | | | |
| Mr A Metcalfe | "Consent to disclosure withheld" | | | | | | |

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

NOTE 5 (Contd)

the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the HPSS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (Including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

NOTE 5 (Contd)

5.4 Staff Benefits

| | 2005 | 2004 |
|--|-------------|-------------|
| | £000 | £000 |
| | <u>-</u> | <u>-</u> |

5.5 Trust Management Costs

| | 2005 | 2004 |
|------------------------|-------------|-------------|
| | £000 | £000 |
| Trust Management Costs | 3,682 | 3,264 |
| Total Income | 96,746 | 87,664 |
| % of total income | <u>3.8%</u> | <u>3.7%</u> |

The above information is based on the Audit Commission's definition "M2" Trust management costs, as detailed in HSS (THR) 2/99.

5.6 Retirements due to ill-health

During 2004/05 there were 16 early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £78k.

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

6.1 Public Sector Payment Policy - Measure of Compliance

The Department requires that Trusts pay their non HPSS trade creditors in accordance with the CBI Prompt Payment Code and Government Accounting Rules. The Trust's payment policy is consistent with the CBI prompt payment codes and Government Accounting rules and its measure of compliance is:

| | 2005 | | 2004 | |
|---------------------------------------|--------------|--------------|--------------|--------------|
| | Number | £000 | Number | £000 |
| Total bills paid | 44,294 | 38,142 | 44,120 | 31,362 |
| Total bills paid within 30 day target | 37,091 | 34,276 | 37,624 | 28,478 |
| % of bills paid within 30 day target | <u>83.7%</u> | <u>89.9%</u> | <u>85.3%</u> | <u>90.8%</u> |

6.2 The Late Payment of Commercial Debts Regulations 2002

The amount included within Interest Payable (Note 8) arising from claims made by small businesses under this legislation are as follows :

| | £000 |
|--------------|----------|
| Total | <u>-</u> |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

7. Profit (Loss) on Disposal of Fixed Assets

| | 2005 | 2004 |
|---|------------------|-------------------|
| | £000 | £000 |
| Profit on disposal of land and buildings | 31 | 2 |
| Profit on disposal of plant and equipment | - | 1 |
| Loss on disposal of plant and equipment | - | (4) |
| | <u>-</u> | <u>(4)</u> |
| Total | <u>31</u> | <u>(1)</u> |

8. Interest Payable

| | 2005 | 2004 |
|-----------------------------------|-------------------|-------------------|
| | £000 | £000 |
| Originating interest bearing debt | 650 | 696 |
| | <u>650</u> | <u>696</u> |
| Total | <u>650</u> | <u>696</u> |

An amount of £149k is included within Note 9.3 for the unwinding of discount on provisions.

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

9.1 Provisions for Future Obligations

| | 2005 | 2004 |
|---|----------------|--------------|
| | £000 | £000 |
| Provisions in year: | | |
| Clinical Negligence | 1,199 | (20) |
| Pensions | 31 | 17 |
| Employers liability | 34 | (27) |
| Public (Occupiers) liability | 49 | 29 |
| Injury benefit | 143 | (39) |
| Accrued leave | - | - |
| Restructuring | - | - |
| Industrial Relations Cases | 70 | 21 |
| Other | (38) | 7 |
| | <hr/> | <hr/> |
| Arising during the year (net) (note 9.2) | 1,488 | (12) |
| Unwinding of Discount on Provisions (note 9.3) | 149 | 200 |
| Utilised in year (note 9.4) | (2,998) | (847) |
| | <hr/> | <hr/> |
| Movement in Year (subtotal) (note 17) | (1,361) | (659) |
| Reimbursements receivable (note 9.5) | 1,333 | 521 |
| | <hr/> | <hr/> |
| Total decrease (to Income and Expenditure Account) | (28) | (138) |
| | <hr/> <hr/> | <hr/> <hr/> |

9.2 Arising During the Year

| | 2005 | 2004 |
|---|--------------|-------------|
| | £000 | £000 |
| Arising during the year (note 17) | 1,903 | 1,230 |
| Provisions not required (reversed unused) (note 17) | (415) | (1,242) |
| | <hr/> | <hr/> |
| Total Provided in year (note 9.1) | 1,488 | (12) |
| | <hr/> <hr/> | <hr/> <hr/> |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

9.3 Unwinding of Discount on Provisions

| | 2005 | 2004 |
|--|-------------------|-------------------|
| | £000 | £000 |
| Unwinding of discount on Provisions is analysed as follows: | | |
| Clinical Negligence | 99 | 141 |
| Other | 50 | 59 |
| Total Unwinding of Discounts on Provisions (note 9.1) | <u>149</u> | <u>200</u> |

9.4 Utilised in year

| | 2005 | 2004 |
|---|---------------------|-------------------|
| | £000 | £000 |
| Clinical Negligence (note 17) | 2,546 | 559 |
| Pensions relating to former directors (note 17) | - | - |
| Pensions relating to other staff (note 17) | 64 | 64 |
| Restructuring (note 17) | - | - |
| Other (note 17) | 388 | 224 |
| Total Utilised (note 9.1) | <u>2,998</u> | <u>847</u> |

9.5 Reimbursements Receivable

| | 2005 | 2004 |
|--|---------------------|-------------------|
| | £000 | £000 |
| Clinical Negligence Central Fund | 1,248 | 438 |
| Other - SHSSB | 85 | 83 |
| Total Reimbursements Receivable | <u>1,333</u> | <u>521</u> |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

10 Intangible Fixed Assets

| Cost or Valuation | Software | Other licences | Patents | Development | Total |
|-------------------------------|-----------|----------------|---------|-------------|-----------|
| | licences | and | | Expenditure | |
| | £000 | trademarks | £000 | £000 | £000 |
| At 1 April 2004 | 49 | - | - | - | 49 |
| Indexation | - | - | - | - | - |
| Additions - purchased | - | - | - | - | - |
| Additions - donated | - | - | - | - | - |
| Reclassifications | (12) | - | - | - | (12) |
| Other Revaluation | | | | | |
| Impairments | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| At 31 March 2005 | 37 | - | - | - | 37 |
| Depreciation | | | | | |
| At 1 April 2004 | 46 | - | - | - | 46 |
| Indexation | - | - | - | - | - |
| Transfers | - | - | - | - | - |
| Reclassifications | (12) | - | - | - | (12) |
| Revaluation | - | - | - | - | - |
| Impairments | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| Reversal of impairments | - | - | - | - | - |
| Provided during the year | 1 | - | - | - | 1 |
| At 31 March 2005 | 35 | - | - | - | 35 |
| Net Book Value | | | | | |
| At 31 March 2005 | | | | | |
| - Purchased | 2 | - | - | - | 2 |
| Total at 31 March 2005 | 2 | - | - | - | 2 |
| At 31 March 2004 | | | | | |
| - Purchased | 3 | - | - | - | 3 |
| Total at 31 March 2004 | 3 | - | - | - | 3 |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

11. Tangible Fixed Assets

11.1 Tangible fixed assets comprise the following elements:

Purchased Assets

| Cost or Valuation | Buildings | | | | | Total £000 |
|----------------------------------|--------------|---------------------------------------|-------------------------------|----------------------------|--------------------------------------|---------------|
| | Land £000 | Installations and fittings £000 | Computer Equipment £000 | Other Equipment £000 | Assets under Construction £000 | |
| At 1 April 2004 | 3,664 | 40,232 | 1,768 | 18,029 | 1,057 | 64,750 |
| Indexation | 190 | 3,187 | - | 389 | - | 3,766 |
| Additions | - | 1,128 | 316 | 1,295 | 1,857 | 4,596 |
| Reclassifications | - | - | 12 | - | - | 12 |
| Transfers | - | 2,294 | - | 219 | (2,513) | - |
| Revaluation | - | - | - | - | - | - |
| Impairments | - | (762) | - | - | - | (762) |
| Disposals | (10) | - | (3) | (217) | - | (230) |
| National Revaluation Exercise | 3,833 | (7,250) | - | - | - | (3,417) |
| At 31 March 2005 | 7,677 | 38,829 | 2,093 | 19,715 | 401 | 68,715 |
| Depreciation | | | | | | |
| At 1 April 2004 | - | 7,999 | 903 | 13,073 | - | 21,975 |
| Indexation | - | 633 | - | 282 | - | 915 |
| Additions | - | - | - | 229 | - | 229 |
| Transfers | - | - | - | - | - | - |
| Reclassifications | - | - | 12 | - | - | 12 |
| Revaluation | - | - | - | - | - | - |
| Impairments | - | - | - | - | - | - |
| Disposals | - | - | (3) | (217) | - | (220) |
| Reversal of impairments | - | - | - | - | - | - |
| Provided during the year | - | 1,900 | 220 | 946 | - | 3,066 |
| National Revaluation Exercise | - | (10,532) | - | - | - | (10,532) |
| At 31 March 2005 | - | - | 1,132 | 14,313 | - | 15,445 |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

Note 11 (Contd)

Net Book Value

| | | | | | | |
|------------------|--------------|---------------|------------|--------------|--------------|---------------|
| At 31 March 2005 | <u>7,677</u> | <u>38,829</u> | <u>961</u> | <u>5,402</u> | <u>401</u> | <u>53,270</u> |
| At 31 March 2004 | <u>3,664</u> | <u>32,233</u> | <u>865</u> | <u>4,956</u> | <u>1,057</u> | <u>42,775</u> |

Of the total net book value at 31 March 2005, £nil related to buildings, installations and fittings valued at open market value for alternative use.

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005

NOTES TO THE ACCOUNTS

Note 11.1 (Contd)

Donated Assets

| | Buildings | | | | | Total |
|--|------------------|----------------------|------------------|------------------|---------------------|--------------|
| | Land | Installations | Computer | Other | Assets under | |
| Cost or Valuation | £000 | and fittings | Equipment | Equipment | Construction | £000 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 April 2004 | - | 848 | 88 | 1,307 | - | 2,243 |
| Indexation | - | 67 | - | 28 | - | 95 |
| Additions | - | 112 | 51 | 880 | 720 | 1,763 |
| Transfers | - | 545 | - | - | (545) | - |
| Impairments | - | (202) | - | - | - | (202) |
| Revaluation | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - |
| National Revaluation Exercise | - | (71) | - | - | - | (71) |
| At 31 March 2005 | - | 1,299 | 139 | 2,215 | 175 | 3,828 |
| Depreciation | | | | | | |
| At 1 April 2004 | - | 63 | 44 | 285 | - | 392 |
| Indexation | - | 5 | - | 6 | - | 11 |
| Transfers | - | - | - | - | - | - |
| Impairments | - | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - |
| Reversal of Impairments Provided during the year | - | 29 | 15 | 115 | - | 159 |
| National Revaluation Exercise | - | (97) | - | - | - | (97) |
| At 31 March 2005 | - | - | 59 | 406 | - | 465 |
| Net Book Value | | | | | | |
| At 31 March 2005 | - | 1,299 | 80 | 1,809 | 175 | 3,363 |
| At 31 March 2004 | - | 785 | 44 | 1,022 | - | 1,851 |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

11.2 Total Tangible Fixed Assets:

| | Purchased £000 | Donated £000 | Total £000 | 2004 £000 |
|--------------------------------------|---------------------------|-------------------------|-----------------------|----------------------|
| Net book value: | | | | |
| Land | 7,677 | - | 7,677 | 3,664 |
| Buildings installations and fittings | 38,829 | 1,299 | 40,128 | 33,018 |
| Computer Equipment | 961 | 80 | 1,041 | 909 |
| Other Equipment | 5,402 | 1,809 | 7,211 | 5,978 |
| Assets under construction | 401 | 175 | 576 | 1,057 |
| Total | 53,270 | 3,363 | 56,633 | 44,626 |

11.3 The net book value of land and buildings comprises:

| | 2005 £000 | 2004 £000 |
|----------|----------------------|----------------------|
| Freehold | 47,805 | 36,682 |
| | <u>47,805</u> | <u>36,682</u> |

11.4 The net book value of assets held under finance leases and hire purchase contracts are as follows:

There were no assets held under finance leases or hire purchase contracts at 31 March 2005 (2004: £nil)

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005

NOTES TO THE ACCOUNTS

12 Stocks and Work in Progress

| | 2005 £000 | 2004 £000 |
|-------------------------------|----------------------------|----------------------------|
| Raw Materials and consumables | <u>1,568</u> | <u>1,288</u> |

13. Debtors

| | 2005 £000 | 2004 £000 |
|--------------------------------------|----------------------------|----------------------------|
| Amounts falling due within one year: | | |
| HSS or NHS debtors | 4,480 | 1,724 |
| Clinical Negligence - Central Fund | 626 | 1,191 |
| Other debtors | 2,526 | 1,928 |
| Pension Prepayments | | |
| in respect of former directors | - | - |
| in respect of other staff | - | - |
| Other prepayments and accrued income | <u>328</u> | <u>332</u> |
| Sub Total | <u>7,960</u> | <u>5,175</u> |

The balances are net of a provision for bad debts of £23k (2004: £162k)

Amounts falling due after more than one year:

| | | |
|--------------------------------------|--------------|--------------|
| HSS or NHS debtors | 14 | 168 |
| Clinical Negligence - Central Fund | 2,641 | 3,324 |
| Other debtors | - | - |
| Pension Prepayments | | |
| in respect of former directors | - | - |
| in respect of other staff | - | - |
| Other prepayments and accrued income | <u>-</u> | <u>-</u> |
| Sub Total | <u>2,655</u> | <u>3,492</u> |

| | | |
|--------------|----------------------|---------------------|
| Total | <u>10,615</u> | <u>8,667</u> |
|--------------|----------------------|---------------------|

14. Short-term Investments

The Trust had no short term investments at 31 March 2005 (2004: £nil)

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

15. Creditors

15.1 Creditors: Amounts falling due within one year:

| | 2005 | 2004 |
|--|-----------------------------|-----------------------------|
| | £000 | £000 |
| Bank overdrafts | - | - |
| Current instalments due on loans | 546 | 546 |
| Interest payable | 27 | 29 |
| Public dividend capital dividend payable | 462 | 9 |
| Public dividend capital payable in respect of impairments | 50 | - |
| Payments received on account | 43 | 36 |
| HPSS or NHS creditors and accruals | 560 | 743 |
| Non HPSS or NHS trade revenue creditors | 1,808 | 2,576 |
| Non HPSS or NHS trade capital creditors | 995 | 1,135 |
| Payroll creditors including taxation and social security | 4,371 | 2,408 |
| Net obligations under finance leases | - | - |
| Clinical Negligence | 429 | 165 |
| Pensions | | |
| - relating to former directors | - | - |
| - relating to other staff | - | 16 |
| Other accruals | 180 | 174 |
| Other creditors | - | - |
| Sub Total | <u>9,471</u> | <u>7,837</u> |
| | | |
| 15.2 Creditors: Amounts falling due after more than one year: | | |
| Long Term Loans | 6,825 | 7,371 |
| | <u>6,825</u> | <u>7,371</u> |
| Sub Total | <u>6,825</u> | <u>7,371</u> |
| | | |
| Total Creditors | <u><u>16,296</u></u> | <u><u>15,208</u></u> |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

**ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005
NOTES TO THE ACCOUNTS**

15.3 Finance lease obligations

The Trust had no commitments under finance leases at the balance sheet date (2004: £nil)

15.4 Public Dividend Capital Dividends

| | 2005 £000 | 2004 £000 |
|---|----------------------|----------------------|
| The dividend is in respect of Public Dividend Capital | 462 | 9 |
| | <hr/> | <hr/> |
| | <u>462</u> | <u>9</u> |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

16. Loans

| | Government Loans £000 | Other Loans £000 | 2005 £000 | 2004 £000 |
|----------------------------|--------------------------------------|---------------------------------|----------------------|----------------------|
| Amounts falling due: | | | | |
| In one year or less | 546 | - | 546 | 546 |
| Between one and two years | 546 | - | 546 | 546 |
| Between two and five years | 1,638 | - | 1,638 | 1,638 |
| In five years or more | 4,641 | - | 4,641 | 5,187 |
| Total | 7,371 | - | 7,371 | 7,917 |

| | Government Loans £000 | Other Loans £000 | 2005 £000 | 2004 £000 |
|---|--------------------------------------|---------------------------------|----------------------|----------------------|
| Wholly or partially repayable after five years by instalments | 7,371 | - | 7,371 | 7,917 |
| Total | 7,371 | - | 7,371 | 7,917 |
| Total Repayable after five years by instalments | 4,641 | - | 4,641 | 5,187 |

Loans wholly or partially repayable after five years:

| Terms of payment | Interest Rate % | 2005 £000 | 2004 £000 |
|---------------------------------|--------------------------------|----------------------|----------------------|
| Equal instalments over 25 years | 8.375 | 7,371 | 7,917 |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

17. Provisions for liabilities and charges

| | Pensions relating to former directors £000 | Pensions relating to other staff £000 | Clinical negligence £000 | Restructuring £000 | Other £000 | 2005 £000 | 2004 £000 |
|-----------------------------|---|--|---|-------------------------------|-----------------------|----------------------|----------------------|
| At 1 April 2004 | 6 | 669 | 4,515 | - | 1,163 | 6,353 | 7,012 |
| Arising during the year | - | 31 | 1,451 | - | 421 | 1,903 | 1,230 |
| Utilised during the year | - | (64) | (2,546) | - | (388) | (2,998) | (847) |
| Reversed unused | - | - | (252) | - | (163) | (415) | (1,242) |
| Unwinding of discount | - | 21 | 99 | - | 29 | 149 | 200 |
| At 31 March 2005 | 6 | 657 | 3,267 | - | 1,062 | 4,992 | 6,353 |

Income and Expenditure Account Charges

| | £000 |
|-----------------------------|-----------------------|
| Arising during the year | 1,903 |
| Utilised during the year | (2,998) |
| Reversed unused | (415) |
| Unwinding of discounts | 149 |
| Total | <u>(1,361)</u> |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

Note 17 (Contd)

Expected Timing of Cash Flow

| | Pensions relating to former directors £000 | Pensions relating to other staff £000 | Clinical Negligence £000 | Restructuring £000 | Other £000 | 2005 £000 | 2004 £000 |
|---------------|---|--|---|-------------------------------|-----------------------|----------------------|----------------------|
| Within 1 year | - | 64 | 626 | - | 462 | 1,152 | 1,715 |
| 1 - 5 years | 2 | 271 | 2,641 | - | 225 | 3,139 | 4,027 |
| Over 5 years | 4 | 322 | - | - | 375 | 701 | 611 |

All provisions are included at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions for Pensions and Permanent Injury Benefits are calculated using relevant actuarial tables. The provisions for Clinical Negligence and Public and Employer's Negligence claims are calculated as the present value of the reserve figures provided by the Trust's External legal advisors. Other provisions include provisions in respect of Public and Employer negligence claims, Permanent Injury Benefit, the Trust's legal costs in defence of Clinical Negligence claims and other statutory legal claims.

Expected reimbursements from the Clinical Negligence Central Fund included in debtors are :-

| | |
|----------------------------------|--------------|
| | 000 |
| Clinical Negligence Central Fund | <u>3,267</u> |

The clinical negligence provision includes £nil for incidents against which claims have not, as yet been received. The related reimbursements, included in debtors, amount to £nil.

In addition to the clinical negligence provision, contingent liabilities for clinical negligence are given in Note 25.

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005

NOTES TO THE ACCOUNTS

18. Public Dividend Capital

| | 2005 | 2004 |
|--|----------------------|----------------------|
| | £000 | £000 |
| Public dividend capital was issued as follows: | | |
| During the reporting year | 2,700 | - |
| In prior years | 31,675 | 31,675 |
| Total | <u>34,375</u> | <u>31,675</u> |

19. Movements on Reserves

| | Revaluation Reserve | Donation Reserve | Realised Donation Reserve | Other Reserves | Income and Expenditure Reserve | Total |
|--|----------------------------|-------------------------|----------------------------------|-----------------------|---------------------------------------|----------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 April 2004 | 1,905 | 1,851 | - | 1,056 | (610) | 4,202 |
| Retained surplus for year | - | - | - | - | 31 | 31 |
| Revaluation and indexation of fixed assets | 10,115 | 115 | - | - | - | 10,230 |
| Transfer of realised profits/(losses) | (7) | - | - | - | 7 | - |
| Movements in donation reserve | - | 1,604 | - | - | - | 1,604 |
| Fixed Asset Impairments | (836) | (207) | - | - | - | (1,043) |
| Other reserve movements | - | - | - | (154) | - | (154) |
| At 31 March 2005 | <u>11,177</u> | <u>3,363</u> | <u>-</u> | <u>902</u> | <u>(572)</u> | <u>14,870</u> |

Other reserves mainly relate to monies received from another HPSS body in current and prior years. The reserve will be released to the Income and Expenditure Account over the useful lives of the assets.

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

20. Reconciliation of Movement in Government Funds

| | 2005 £000 | 2004 £000 |
|---|----------------------------|----------------------------|
| Surplus for the financial year | 465 | 12 |
| less provisions for future obligations | 28 | 138 |
| less public dividend capital dividends | <u>(462)</u> | <u>(9)</u> |
| | 31 | 141 |
| | | |
| Gains (losses) from revaluation/indexation of | | |
| Purchased fixed assets | 9,279 | 3,263 |
| Public dividend capital repayments | (50) | - |
| Public dividend capital issued | 2,750 | - |
| | | |
| New Government loans issued | - | - |
| Government loans repayments | (546) | (546) |
| | | |
| (Reductions) in other reserves | <u>(154)</u> | <u>(272)</u> |
| | | |
| Net Movement in Government funds | 11,310 | 2,586 |
| | | |
| Government funds at 31 March 2004 | <u>41,943</u> | <u>39,357</u> |
| | | |
| Government funds at 31 March 2005 | <u>53,253</u> | <u>41,943</u> |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005

NOTES TO THE ACCOUNTS

21 Financial Performance Targets

21.1 Capital Cost Absorption Duty

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 interest payable on Government borrowing plus dividends payable on public dividend capital, totalling £1,112k, bears to the average relevant net assets of £43,543k that is 2.6%.

The return for 2004/2005 is calculated as 2.6% (2003/2004: 1.8%)

The variance from 3.5% has arisen from an underestimation of depreciation.

The Capital Cost Absorption Rate is calculated as follows:

Capital Cost Absorption rate (%) = (TDR/Average relevant net assets) x 100

| | 2005 |
|--|---------------------|
| | £000 |
| Trust Debt Remuneration is calculated as: | |
| Interest payable on Government borrowing | 650 |
| Plus | |
| Dividends payable on Public Dividend Capital | <u>462</u> |
| Trust Debt Remuneration | <u><u>1,112</u></u> |

Average Relevant Net Assets is calculated as:

Average relevant net assets is the simple average of opening and closing relevant net assets, where each are calculated as follows:

| | Opening | Closing | Average |
|--|----------------------|----------------------|----------------------|
| | £000 | £000 | £000 |
| Total capital and reserves* | | | |
| (equivalent to total net assets) | 35,877 | 42,567 | 39,222 |
| Less: | | | |
| Donation reserve | (1,851) | (3,337) | (2,594) |
| Purchased assets in the course of construction | (1,057) | (401) | (729) |
| Short-term assets | - | - | - |
| Finance Lease assets (during their primary lease term) | - | - | - |
| Plus: | | | |
| Loans and overdrafts | 7,917 | 7,371 | 7,644 |
| Finance Lease Creditors (capital only) | - | - | - |
| Relevant Net Assets | <u><u>40,886</u></u> | <u><u>46,200</u></u> | <u><u>43,543</u></u> |

*Capital and reserves excludes the impact of the national revaluation exercise.

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

21.2 Break Even Performance

The Trust is required to ensure that its income is sufficient to meet its expenditure taking one year with another. Over the last five years the Trust has achieved the following results:

| | 2000/01 £000 | 2001/02 £000 | 2002/03 £000 | 2003/04 £000 | 2004/05 £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| i. Turnover | 66,548 | 78,890 | 86,098 | 93,838 | 103,871 |
| ii. Operational Surplus for Financial Year before Provisions and Exceptional Income | 344 | 2 | 2 | 3 | 3 |
| iii. Break Even in year position | 344 | 2 | 2 | 3 | 3 |
| iv. Break Even cumulative position(opening) | (2,056) | 608 | 772 | 785 | 837 |
| v. Other Adjustments | 70 | 162 | 11 | 49 | 7 |
| vi. Exceptional Income Year ended 31 March 2001 | 2,250 | - | - | - | - |
| vii. Break Even Cumulative position(closing) | 608 | 772 | 785 | 837 | 847 |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

Note 21.2 (Contd)

| | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 |
|--|---------|---------|---------|---------|---------|
| | % | % | % | % | % |
| Materiality Test: | | | | | |
| Break Even in year position as % of turnover | 0.5% | 0.0% | 0.0% | 0.0% | 0.0% |
| Break Even cumulative position as % of turnover | 0.9% | 1.0% | 0.9% | 0.9% | 0.8% |

2004/05 Accumulated Surplus

The 2004/05 accumulated financial surplus of £847k is a reflection of the carried forward surplus from prior years and maintenance of a break even position by the Trust for 2004/05 and a release from the Revaluation Reserve to the Income and Expenditure Reserve of £7k.

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005

NOTES TO THE ACCOUNTS

21.3 External Financing Limit

| | 2005 | 2004 |
|---|--------------|--------------|
| | £000 | £000 |
| External Financing Limit set by the Department | <u>3,816</u> | <u>(866)</u> |

The Trust stayed within its External Financing Limit by £473k. The Trust's External Financing Requirement for the year was £3,343k and was met as follows:-

| | 2005 | 2004 |
|----------------------------|--------------|----------------|
| | £000 | £000 |
| Increase (decrease) in: | | |
| Public dividend capital | 2,750 | - |
| Government long-term loans | (546) | (546) |
| (Increase) decrease in: | | |
| Short-term investments | - | - |
| Cash at bank and in hand | 1,139 | (1,494) |
| External Finance Accessed | <u>3,343</u> | <u>(2,040)</u> |

21.4 Capital Resource Limit

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

| | 2005 |
|---|--------------|
| | £000 |
| Gross Capital Expenditure (charge against the CRL) | 4,367 |
| Capital Resource Limit | <u>4,852</u> |
| Underspend against CRL | <u>485</u> |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

22. Private Finance Transactions

22.1 PFI Schemes deemed to be off balance sheet

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Amounts included within operating expenses in respect of PFI transactions deemed to be off balance sheet | <u>249</u> | <u>247</u> |

| | £000 | £000 |
|--|-------------|-------------|
| The Trust is committed to make the following payments during the next year | | |
| PFI scheme which expires within one year | - | - |
| 2 to 5 years (inclusive) | <u>254</u> | <u>249</u> |
| | <u>254</u> | <u>249</u> |

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Estimated capital value of the PFI schemes | | |
| Carparks | - | - |
| ATICS Equipment Scheme | - | - |
| Bed Management Scheme | - | - |
| Energy Management | 545 | 545 |
| Equipment Leases | - | - |
| Laboratory Equipment Scheme | <u>-</u> | <u>-</u> |
| | <u>545</u> | <u>545</u> |

Contract start date 11 June 1998

Contract end date 10 June 2008

The scheme is a design, construct, manage, operate, maintain and finance contract for the management of energy for the Trust. Design and construction risks rest with the operator who will bear any cost overruns. Operational and maintenance responsibility has passed to the operator together with an obligation to meet agreed performance criteria. Where the operator is in breach of the contract, there is a mechanism for payment of damages to the Trust, limited to £250k. The Trust is committed to pay rental and service charges for the duration of the contract. The Trust also pays the operator a unit based energy charge dependent on the actual supply of energy. This amounted to a charge of £547k for the 04/05 year. The operator bears the residual value risk on plant and equipment. Transfer of the residual risk to the Trust would be subject to negotiation.

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

22.2 Service element of PFI schemes deemed to be on balance sheet.

| | 2005 | 2004 |
|---|-------------|-------------|
| | £000 | £000 |
| Amounts included within operating expenses in respect of the 'service' element of PFI schemes deemed to be on balance sheet | - | - |

The Trust is committed to make the following payments during the next year

| | 2005 | 2004 |
|--|-------------|-------------|
| | £000 | £000 |
| PFI scheme which expires within one year | | |
| 2 to 5 years (inclusive) | - | - |
| 6 to 10 years (inclusive) | - | - |
| 11 to 15 years (inclusive) | - | - |
| 16 to 20 years (inclusive) | - | - |
| 21 to 25 years (inclusive) | - | - |
| 26 to 30 years (inclusive) | - | - |
| 31 to 35 years (inclusive) | - | - |
| | - | - |
| | - | - |

The estimated annual payments in future years are expected to be materially different from those which the Trust is committed to make during the next year. The likely financial effect of this is +/- £nil (2004 +/- £nil).

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

23. Capital Commitments

Capital commitments at the balance sheet date were:-

| | 2005 Total £000 | 2004 Total £000 |
|---|--------------------------------|--------------------------------|
| Contracted | 414 | 2,468 |
| Authorised by the Board, but not contracted | <u>1,770</u> | <u>254</u> |
| Total | <u>2,184</u> | <u>2,722</u> |

The Trust had no capital commitments under finance leases at the balance sheet date (2004: £nil)

24. Post Balance Sheet Events

The Trust has agreed the sale of a portion of land at Banbridge Polyclinic site for £185k, subject to minor works being carried out in 2005/06, costing approximately £90k.

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

25. Contingent Liabilities

Clinical Negligence

The Trust has contingent liabilities in respect of approximately 150 cases where no reliable estimate can be made as the cases are dormant or there is insufficient information available. In addition, the Trust has contingent liabilities of £857k for clinical negligence claims in their early stages. The Trust's financial liability, if any, cannot be determined until the related claims are resolved. An estimate of the amount involved, inclusive of legal costs, is:

| | 2005 | 2004 |
|--|------------------|------------------|
| | £000 | £000 |
| Total estimate of contingent clinical negligence liabilities | 857 | 1,022 |
| Amount recoverable from the Clinical Negligence Central Fund | <u>(794)</u> | <u>(962)</u> |
| Net Contingent Liability | <u>63</u> | <u>60</u> |

In addition to the above contingent liability, provisions for clinical negligence are given in Note 17.

Other clinical litigation claims could arise in the future due to incidents which have already occurred. The expenditure which may arise from such claims cannot be determined as yet.

Public and Employer Negligence Claims:

The Trust has contingent liabilities in respect of public and employer's negligence relating to 20 incidents which could give rise to future claims. Therefore the expenditure which may arise from such claims cannot be determined as yet.

Employment Law Cases

The Trust has contingent liabilities in respect of 12 cases which are pending test case law.

Contingencies not relating to clinical negligence are as follows:

| | 2005 | 2004 |
|----------------|------------------|-----------------|
| | £000 | £000 |
| Employment Law | <u>26</u> | <u>-</u> |
| Total | <u>26</u> | <u>-</u> |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

26. Related Party Transactions

During the year, the Craigavon Area Hospital Group HSS Trust entered into a transaction with the following related party (as defined by FRS 8):

Upper Bann Institute of Further and Higher Education

The total value of this transaction during 2004/05 was £11,200.

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

27. Analysis of Losses and Special Payments

| TYPE OF LOSS | NO. OF CASES | VALUE £ |
|---|-----------------|------------------|
| 1 Cash Losses - Theft, fraud etc | 2 | 1,393 |
| 2 Cash Losses - Overpayments of salaries, wages and allowances | 1 | 901 |
| 3 Cash Losses - Other causes (including unvouched and incompletely vouched payments) | | |
| 4 Nugatory and fruitless payments - Abandoned Capital Schemes | | |
| 5 Other nugatory and fruitless payments | | |
| 6 Bad debts and claims abandoned | 28 | 1,991 |
| 7 Stores and Inventory Losses - Theft, fraud, arson (whether proved or suspected) etc | | |
| i. Bedding and linen | | |
| ii. Other equipment and property | 4 | 7,900 |
| 8 Stores and Inventory Losses - Incidents of the service (result of fire, flood, etc) | | |
| 9 Stores and Inventory Losses - Deterioration in store | | 38,308 |
| 10 Stores and Inventory Losses - Stocktaking discrepancies | | |
| 11 Stores and Inventory Losses - Other causes | | |
| i. Bedding and linen | | 5,110 |
| ii. Other equipment and property | | |
| 12 Compensation payments (legal obligation) | | |
| i. Clinical Negligence | 95 | 2,636,041 |
| ii. Public Liability | 7 | 120,289 |
| iii. Employers Liability | 14 | 149,020 |
| 13 Ex-gratia payments - Compensation payments (including payments to patients and staff) | 8 | 2,250 |
| 14 Ex-gratia payments - Other payments | | |
| 15 Extra statutory payments | | |
| 16 a. Losses sustained as a result of damage to buildings and fixtures arising from bomb explosions or civil commotion. | | |
| b. Damage to vehicles | | |
| TOTAL | 159 | 2,963,203 |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

28. Intra-Government balances

| Name | Creditors | | Debtors | |
|---|---|--|---|---|
| | Amounts falling due within 1 year £000 | Amounts falling due after more than 1 year £000 | Amounts falling Due within 1 year £000 | Amounts falling due after more than 1 year £000 |
| Other central government bodies | 3,131 | 6,825 | 1,382 | - |
| Northern Ireland Health and Social Services Boards | 3 | - | 3,075 | 14 |
| HSS Trusts | 419 | - | 964 | - |
| NHS Trusts | - | - | - | - |
| Agencies & Special Agencies | 138 | - | 1,905 | 2,640 |
| Non-Departmental Public Bodies | - | - | - | - |
| Local Authorities | 1 | - | - | - |
| Public corporations and trading funds | - | - | - | - |
| Total | 3,692 | 6,825 | 7,326 | 2,654 |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

29. Notes to the Cash Flow Statement

29.1 Reconciliation of operating surplus to net cash inflow from operating activities

| | 2005 | 2004 |
|--|---------------------|---------------------|
| | £000 | £000 |
| Operating surplus | 929 | 540 |
| Depreciation charge | 3,226 | 3,047 |
| Provisions for future obligations (I&E Account) | 28 | 138 |
| Fixed asset impairments | 75 | 219 |
| Transfer from donation reserve | (159) | (139) |
| Non-cash Items | (256) | (350) |
| (Decrease) in provisions (Balance Sheet) | (1,361) | (659) |
| (Increase) in stocks | (280) | (117) |
| (Increase)/decrease in debtors | (1,948) | 1,482 |
| Increase in creditors | <u>1,323</u> | <u>2,168</u> |
| Net cash inflow from operating activities | <u>1,577</u> | <u>6,329</u> |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005
NOTES TO THE ACCOUNTS

29. Notes to the Cash Flow Statement

29.2 Reconciliation of net cash flow to movement in net debt

| | 2005 | | 2004 | |
|--|-------------|-----------------------|-------------|-----------------------|
| | £000 | £000 | £000 | £000 |
| (Decrease)/increase in cash in the period | (1,139) | | 1,494 | |
| Cash inflow from new debt | - | | - | |
| Cash outflow from debt repaid and finance lease capital payments | <u>546</u> | | <u>546</u> | |
| Change in net debt resulting from cash flows | | (593) | | 2,040 |
| Non-cash changes in debt | | <u>-</u> | | <u>-</u> |
| Net Debt at 1 April 2004 | | <u>(5,063)</u> | | <u>(7,103)</u> |
| Net Debt at 31 March 2005 | | <u><u>(5,656)</u></u> | | <u><u>(5,063)</u></u> |

29.3 Analysis of changes in net debt

| | At 1 April | Cash | Non-cash | At 31 March |
|--------------------------|-------------------|--------------|-----------------|--------------------|
| | 2004 | flows | changes | 2005 |
| | £000 | £000 | £000 | £000 |
| Cash at bank and in hand | 2,854 | (1,139) | - | 1,715 |
| Bank overdrafts | - | - | - | - |
| Debt due within 1 year | (546) | 546 | (546) | (546) |
| Debt due after 1 year | (7,371) | - | 546 | (6,825) |
| | <u>(5,063)</u> | <u>(593)</u> | <u>-</u> | <u>(5,656)</u> |

CRAIGAVON AREA HOSPITAL GROUP HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

30. 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 relationship with HSS Commissioners, and the manner in which they are funded, the Craigavon Area Hospital Group HSS 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 that would be typical of the listed companies to which FRS 13 mainly applies. The Craigavon Area Hospital Group HSS 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 Craigavon Area Hospital Group HSS Trust in undertaking its activities.

31. Third party assets

The Trust held £20k cash at bank and in hand at 31 March 2005 which relates to monies held by the Trust on behalf of patients. This has been excluded from the cash at bank and in hand figure reported in the accounts. A separate audited account of these monies is maintained by the Trust.

**CRAIGAVON AREA HOSPITAL GROUP HSS TRUST
YEAR ENDED 31 MARCH 2005**

ACCOUNT OF MONIES HELD ON BEHALF OF PATIENTS / RESIDENTS

**STATEMENT OF TRUSTS RESPONSIBILITIES IN RELATION TO PATIENTS /
RESIDENTS MONIES**

Under the Health and Personal Social Services (Northern Ireland) Order 1972 (as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003), the Trust is required to prepare and submit accounts in such form as the Department may direct. The Trust is also required to maintain proper and distinct accounting records and is responsible for safeguarding the monies held on behalf of patients / residents and for taking reasonable steps to prevent and detect fraud and other irregularities.

Craigavon Area Hospital Group Health and Social Services Trust

Account of Monies held on behalf of Patients/Residents

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the account on page 193 which the Trust is required by the Health and Personal Social Services (Northern Ireland) Order 1991 to prepare and submit in such form as the Department of Health, Social Services and Public Safety may direct.

Respective Responsibilities of the Board Members and Chief Executive and Auditor

As described on page 190 the Board Members and Chief Executive are responsible for the preparation and submission of the account as required by the Health and Personal Social Services (Northern Ireland) Order 1991 in such form as the Department of Health, Social Services and Public Safety directs and for ensuring the regularity of financial transactions. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the account properly presents the payments and receipts of the monies held on behalf of patients/residents and are properly prepared as required by the Health and Personal Social Services (Northern Ireland) Order 1991 in such form as the Department of Health, Social Services and Public Safety directs, and whether in all material respects the payments and receipts conform to the authorities which govern them. I also report if, in my opinion the Trust has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the account. It also includes an assessment of the judgements made by the Board Members and Chief Executive in the preparation of the account.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the account is free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the payments and receipts conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the account.

Opinion

In my opinion:

- the account properly presents the payments and receipts of the monies held on behalf of patients/residents by the Craigavon Area Hospital Group Health and Social Services Trust for the year ended 31 March 2005 and balances held at that date and have been properly prepared as required by the Health and Personal Social Services (NI) Order 1991 in such form as the Department of Health, Social Services and Public Safety may direct; and
- in all material respects the payments and receipts conform to the authorities which govern them.

I have no observations to make on this account.

J M Dowdall CB
Comptroller and Auditor General
26 August 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

**CRAIGAVON AREA HOSPITAL GROUP HSS TRUST
YEAR ENDED 31 MARCH 2005**

ACCOUNT OF MONIES HELD ON BEHALF OF PATIENTS

| Previous Year | RECEIPTS | | |
|---------------|--|--------|--------|
| £ | | | £ |
| | Balance at 1 April 2004 | | £ |
| - | 1. Investments (at cost) | - | |
| 20,486 | 2. Cash at Bank | 14,963 | |
| 150 | 3. Cash in Hand | 150 | 15,113 |
| 19,829 | Amounts Received in the Year | | 36,745 |
| 556 | Interest Received | | 676 |
| 41,021 | TOTAL | | 52,534 |
| | PAYMENTS | | |
| 25,908 | Amounts Paid to or on behalf of Patients | | 32,782 |
| | Balance at 31 March 2005 | | |
| - | 1. Investments (at cost) | - | |
| 14,963 | 2. Cash at Bank | 19,602 | |
| 150 | 3. Cash in Hand | 150 | 19,752 |
| 41,021 | TOTAL | | 52,534 |

Schedule of Investments held at 31 March 2005

| Cost Price £ | Investment | Nominal Value £ | Cost Price £ |
|-----------------|-------------------|-----------------------|-----------------|
| - | | - | - |

I certify that the above account has been compiled from and is in accordance with the financial records maintained by the Trust.

L A Stead
10 June 2005

Director of Finance

I certify that the above account has been submitted to and duly approved by the Trust.

John W Templeton
16 August 2005

Chief Executive

**NEWRY & MOURNE HSS TRUST
ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2005**

FOREWORD

These accounts for the year ended 31 March 2005 have been prepared in accordance with Article 90(2)(a) of the Health and Personal Social Services (Northern Ireland) Order 1972, as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003, in a form directed by the Department of Health, Social Services and Public Safety.

STATEMENT OF NEWRY & MOURNE HSS TRUST'S RESPONSIBILITIES AND CHIEF EXECUTIVE'S RESPONSIBILITIES.

Under the Health and Personal Social Services (Northern Ireland) Order 1972 (as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003), the Newry & Mourne HSS Trust is required to prepare financial statements for each financial year in the form and on the basis determined by the Department of Health, Social Services and Public Safety. The financial statements are prepared on an accruals basis and must provide a true and fair view of the state of affairs of the Trust, of its income and expenditure and cash flows for the financial year.

In preparing the financial statements the Trust is required to:

- observe the accounts direction issued by the Department of Health, Social Services and Public Safety including relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- make judgements and estimates on a reasonable basis.
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements.
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Trust will continue in operation.
- keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust.
- pursue and demonstrate value for money in the services the Trust provides and in its use of public assets and the resources it controls.

The Permanent Secretary of the Department of Health, Social Services and Public Safety as Accounting Officer for health and personal social services resources in Northern Ireland has designated Mr Eric Bowyer of Newry & Mourne HSS Trust as the Accountable Officer for the Trust. His relevant responsibilities as Accountable Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accountable Officer Memorandum, issued by the Department of Health, Social Services and Public Safety. The Accountable Officer is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

CERTIFICATES OF DIRECTOR OF FINANCE, CHAIRMAN AND CHIEF EXECUTIVE

I certify that the annual accounts set out in the financial statements and notes to the accounts (pages 209 to 252) which I am required to prepare on behalf of the Newry & Mourne Health and Social Services Trust have been compiled from and are in accordance with the accounts and financial records maintained by the Trust and with the accounting standards and policies for HSS Trusts approved by the DHSSPS.

| | |
|---------------|---------------------|
| Martin Dillon | Director of Finance |
| 25 July 2005 | Date |

I certify that the annual accounts set out in the financial statements and notes to the accounts (pages 209 to 252) as prepared in accordance with the above requirements have been submitted to and duly approved by the Board.

| | |
|----------------|----------|
| Donal Farrell | Chairman |
| 16 August 2005 | Date |

| | |
|----------------|-----------------|
| James Flynn | Chief Executive |
| 16 August 2005 | Date |

STATEMENT ON INTERNAL CONTROL FOR THE FINANCIAL YEAR 2004/05

Scope of Responsibility

The Board of the Newry & Mourne (HSS) Trust is accountable for internal control. As Accountable Officer and Chief Executive of the Board of Newry & Mourne HSS Trust, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the organisation, and for reviewing the effectiveness of the system.

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, and to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Newry & Mourne HSS Trust for the year ended 31 March 2005, and up to the date of approval of the annual report and accounts, and accords with Department of Finance and Personnel guidance.

The Board exercises strategic control over the operation of the organisation through a system of corporate governance which includes:-

- a schedule of matters reserved for Board decisions
- a scheme of delegation, which delegates decision making authority within set parameters to the Chief Executive and other officers.
- standing orders and standing financial instructions, the establishment of an audit committee.

The system of internal financial control is based on a framework of regular financial information, administrative procedures including the segregation of duties and a system of delegation and accountability. In particular it includes:-

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board;
- regular reviews by the Board of periodic annual financial reports which indicate financial performance against the forecast;
- setting targets to measure financial and other performances;
- clearly defined capital investment control guidelines;
- formal budget management disciplines.

The Newry & Mourne HSS Trust procures an internal audit function which operates to defined standards and whose work is informed by an analysis of risk to which the body is exposed and annual audit plans are based on this analysis.

Southern Internal Audit Services has during the year reviewed, evaluated and tested internal controls in a number of the Trust's systems (see below). The audit areas examined were approved by the Audit Committee and documented in their Strategic Audit Plan for 2003/04 to 2005/06 and the Annual Operational Plan. The results of the audit of each area have been reported to the Accountable Officer and appropriate levels of management and recommendations have been responded to. A summary of the main findings in each audit area has also been presented to the Audit Committee.

In his annual report, the Head of Internal Audit reported that in his opinion, based on the work performed, adequate assurance can be provided as to internal controls in the systems scheduled in the table below where the opinion is marked "A" or "B", partial assurance is given as to controls in systems where the opinion is marked "C" and where the opinion is marked "D" there is inadequate assurance. Reviews of self assessments of compliance with core Controls Assurance Standards confirmed substantive compliance with these three standards i.e. Financial Management, Risk Management and Governance. The opinion as to compliance with other standards is summarised in the table below. In relation to the standards for Decontamination of Re-useable Medical Devices and Infection Control, where, in the opinion of Internal Audit, the assessment of our compliance with the standard is moderate, the Trust will, in 2005/06, implement the necessary actions required to achieve substantive compliance by the end of 2005/06.

| Topic | | Opinion |
|-----------------------------|--|---|
| Governance | Governance – Compliance with Standard | Substantive compliance |
| | Arrangements re: Clinical and Social Care Governance | Advisory |
| Controls Assurance | Decontamination of Re-useable Medical Devices | Moderate |
| | Fire Safety | Substantive |
| | Infection Control | Moderate |
| | Risk Management – compliance with standard | Substantive compliance |
| Risk Management | Review of Risk Registers and the Risk Management Process | Considerable progress towards full compliance with best practice guidance |
| Financial Management | Review of compliance with core standard | Substantive compliance |
| | Budgetary Control – specific central budgets | C |

| | | |
|--|---|---|
| | Inventory Management – Estates | C |
| | Payroll | B/C |
| | Staff Travel and Subsistence Claims | B |
| | Voluntary Drivers | C |
| | Residents' Private Property (at two Homes) | C B |
| | Non-Pay Expenditure / main system Bank Reconciliations / Payments to Agency Staff | B D |
| | Central Debtors System | A |
| | Income re: RTAs | C |
| | Charitable Funds | B |
| | Investigations | Recommendations to strengthen controls. |

Weaknesses in control were identified in a number of areas and recommendations / remedial action to address those control weaknesses have or are being implemented.

The systems reviewed by Internal Audit should not be taken as representative of systems in total in the Trust: Internal Audit use a risk-based approach to audit planning, and as a result they give priority to reviewing aspects of systems which have residual risks or control issues.

With regard to the wider control environment, the Newry & Mourne HSS Trust has in place a range of organisational controls, commensurate with the current assessment of risk, designed to ensure the efficient and effective discharge of its business in accordance with the law and Departmental direction. Every effort is made to ensure that the objectives of the Newry & Mourne HSS Trust are pursued in accordance with the recognised and accepted standards of public administration.

For example, the Newry & Mourne HSS Trust's recruitment and selection policies are based on the principle of equality of opportunity and controls are in place to ensure that all such decisions are taken in accordance with the relevant legislation.

With regard to estate management, decisions are taken within the context of an estate control plan, which prioritises management action based on an assessment of risk.

The Trust has in place a programme to achieve fire code compliance by 31.03.07.

Health and Safety continues to underpin the work of the Trust and the appropriate measures are in place to manage health and safety issues within existing resources. Decisions are taken within the context of the Trust's Health and Safety policies and

procedures, and the Health and Safety Committee which prioritises management action based on an assessment of risk.

Capacity to Handle Risk

The Newry & Mourne HSS Trust has developed a risk management strategy, which has identified the organisation's objectives and risks in line with DHSSPS guidance. The strategy is currently being updated and will cover the period April 2005 – March 2007.

Newry & Mourne HSS Trust has continued with staff training within the last financial year to assist with rising awareness of the employee's role in risk identification and management.

Training commences at induction and is continued through a number of in-house training sessions. In addition to this, managers attend the Institute of Safety and Health course on Managing Safety in Healthcare. The Trust runs this course on an annual basis.

The Newry & Mourne HSS Trust has a number of groups and committees that inform the risk management and governance processes and ultimately the agenda of the Risk Management Lead Team and Trust Board. Information on good practice and lessons to be learned from the management of claims, incidents and complaints are considered with these forums as appropriate. Examples include the following;

- Clinical Audit Committee
- Health & Safety Committee
- Acute and Community Risk Management and Governance Teams
- Departmental Incident Review Group (Paediatricians, Maternity, Medicine)
- Drugs and Therapeutics Group including Medicines Management Controls Assurance Standard
- Infection Control Committee (including Infection Control and Decontamination Controls Assurance Standards)

(This list is not exhaustive)

The Newry & Mourne HSS Trust's Clinical and Social Care Governance Co-ordinator is a member of the Regional Governance / Risk Management Forum and meets regularly with the regional Risk Management Co-ordinator (Heather Shepherd) and Clinical and Social Care Governance Support Team link person (Patricia Beresford).

The process of identifying key risk areas which impact on the Trusts objectives is based on the Department of Health Publication "Building an Assurance Framework: A Practical Guide for NHS Boards" (March 2003).

Newry & Mourne HSS Trust's Corporate Risk Register is based on a combination of risks identified at operational level, significant risks identified by Managers and Directors and the requirements of statutory functions.

The second Corporate Risk Register, once completed (due July 2005), will be taken forward to Trust Board for consideration and widely circulated throughout the Trust.

The key actions for the Newry & Mourne HSS Trust in the incoming year will be to;

- Ensure compliance with the Controls Assurance Standards as these are issued from the Department
- Build on existing practices within the Trust to provide assurance of a Trust wide integrated approach to all aspects of Internal Control
- Utilise the Trust's Risk Register as a key document in forming the Trust's decision making process regarding Risk Management and Internal Control
- Work in partnership with the Regional Risk Manager, Clinical and Social Care Governance support team.

Review of Effectiveness

As Accountable Officer, I have responsibility for the review of effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Newry & Mourne HSS Trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and Audit Committee and a plan to address weaknesses and ensure continuous improvement to the system is in place.

Signature of Accountable Officer: James Flynn
Date: 16th August 2005

Newry and Mourne Health and Social Services Trust

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements on pages 205 to 252 under the Health and Personal Social Services (Northern Ireland) Order 1972 as amended. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 209 to 214.

Respective responsibilities of the Board Members, Chief Executive and Auditor

As described on page 196, the Board Members and Chief Executive are responsible for the preparation of the financial statements in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972 as amended and Department of Health, Social Services and Public Safety directions made thereunder and for ensuring the regularity of financial transactions. The Board Members and Chief Executive are also responsible for the preparation of the contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972 as amended and Department of Health, Social Services and Public Safety directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Trust has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 198 to 203 reflects the Trust's compliance with the Department of Health, Social Services and Public Safety's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Health, Social Services and Public Safety, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Chief Executive's statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board Members and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Newry and Mourne Health and Social Services Trust at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year ended and have been properly prepared in accordance with the Health and Personal Social Services (Northern Ireland) Order 1972 as amended and directions made thereunder by the Department of Health, Social Service and Public Safety; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

J M Dowdall CB
Comptroller and Auditor General
Date:
25th August 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

NEWRY & MOURNE HSS TRUST

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

| | NOTE | 2005 £000 | 2004 £000 |
|--|------|-----------------|-----------------|
| Income from Activities | 2 | 90,855 | 81,669 |
| Other Operating Income | 3 | 2,370 | 2,119 |
| Operating Expenses | 4,5 | <u>(91,637)</u> | <u>(82,864)</u> |
| OPERATING SURPLUS (DEFICIT) | | 1,588 | 924 |
| Profit/(loss) on disposal of Fixed Assets | 7 | <u>0</u> | <u>0</u> |
| SURPLUS (DEFICIT) BEFORE INTEREST | | 1,588 | 924 |
| Interest Receivable | | 178 | 188 |
| Interest Payable | 8 | <u>(507)</u> | <u>(540)</u> |
| SURPLUS (DEFICIT) FOR THE FINANCIAL YEAR | | 1,259 | 572 |
| Public Dividend Capital Dividends Payable | 15 | <u>(1,218)</u> | <u>(567)</u> |
| OPERATIONAL SURPLUS (DEFICIT) BEFORE PROVISIONS | | 41 | 5 |
| Provisions for Future Obligations | 9.1 | <u>164</u> | <u>22</u> |
| RETAINED SURPLUS (DEFICIT) FOR THE FINANCIAL YEAR | | <u>205</u> | <u>27</u> |
| BREAK EVEN POSITION | 21 | <u>41</u> | <u>5</u> |

The notes on pages 209 to 252 form part of these accounts

All Income and Expenditure is derived from continuing activities.

NEWRY & MOURNE HSS TRUST

BALANCE SHEET AS AT 31 MARCH 2005

| | NOTE | 2005 | | 2004 | |
|--|------|--------------|----------------------|--------------|----------------------|
| | | £000 | £000 | £000 | £000 |
| FIXED ASSETS | | | | | |
| Intangible assets | 10 | | 0 | | 0 |
| Tangible assets | 11 | | <u>33,701</u> | | <u>27,328</u> |
| | | | 33,701 | | 27,328 |
| CURRENT ASSETS | | | | | |
| Stocks and work in progress | 12 | 164 | | 158 | |
| Debtors: Amounts falling due | | | | | |
| Within one year | 13 | 8,471 | | 6,743 | |
| After one year | 13 | 579 | | 1,096 | |
| Short term investments | 14 | 10 | | 192 | |
| Cash at bank and in hand | | <u>1,586</u> | | <u>1,211</u> | |
| | | | 10,810 | | 9,400 |
| CREDITORS: Amounts falling due within one year | 15 | | <u>(8,306)</u> | | <u>(5,780)</u> |
| NET CURRENT ASSETS (LIABILITIES) | | | <u>2,504</u> | | <u>3,620</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 36,205 | | 30,948 |
| Creditors: Amounts falling due after more than one year | 15 | | (5,535) | | (5,945) |
| Provisions for Liabilities and Charges | 17 | | <u>(2,704)</u> | | <u>(3,228)</u> |
| TOTAL ASSETS EMPLOYED | | | <u><u>27,966</u></u> | | <u><u>21,775</u></u> |
| FINANCED BY: | | | | | |
| CAPITAL AND RESERVES | | | | | |
| Public dividend capital | 18 | | 14,623 | | 13,723 |
| Revaluation reserve | 19 | | 12,580 | | 7,483 |
| Donation reserve | 19 | | 14 | | 25 |
| Realised donation reserve | 19 | | 0 | | 0 |
| Other reserves | 19 | | 0 | | 0 |
| Income and expenditure reserve | 19 | | <u>749</u> | | <u>544</u> |
| | | | <u><u>27,966</u></u> | | <u><u>21,775</u></u> |

The notes on pages 209 to 252 form part of these accounts

Signed James Flynn (Chief Executive) Date 16th August 2005

Signed Donal Farrell (Chairman) Date 16th August 2005

NEWRY & MOURNE HSS TRUST

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

| | 2005 | | 2004 | |
|---|----------|-------------------|----------|-----------------------|
| | £000 | £000 | £000 | £000 |
| Net Cash Inflow from Operating Activities (Note 29.1) | | 3,747 | | 1,575 |
| Returns on Investments and Servicing of Finance | | | | |
| Interest received | 178 | | 187 | |
| Interest paid | (508) | | (540) | |
| Interest element of finance lease rental payments | <u>0</u> | | <u>0</u> | |
| Net Cash (Outflow) Inflow from returns on Investments and Servicing of Finance | | (330) | | (353) |
| Capital Expenditure | | | | |
| Payments to acquire intangible fixed assets | 0 | | 0 | |
| Receipts from sales of intangible fixed assets | 0 | | 0 | |
| Payments to acquire tangible fixed assets | (3,147) | | (1,103) | |
| Receipts from sale of tangible fixed assets | <u>0</u> | | <u>0</u> | |
| Net Cash Inflow (Outflow) from Capital Expenditure | | (3,147) | | (1,103) |
| Dividends Paid | | (567) | | (1,068) |
| 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 | | <u>0</u> | | <u>0</u> |
| Net Cash Inflow (Outflow) before Financing | | (297) | | (949) |
| Financing | | | | |
| New money capital reserve | 0 | | 0 | |
| New public dividend capital | 900 | | 0 | |
| New long-term loans – Government | 0 | | 0 | |
| New long-term loans – Others | 0 | | 0 | |
| New short-term loans – Government | 0 | | 0 | |
| New short-term loans – Others | 0 | | 0 | |
| Repayment of loans – Government | (410) | | (410) | |
| Repayment of Public Dividend Capital | 0 | | (406) | |
| Capital element of finance lease rental payments | <u>0</u> | | <u>0</u> | |
| Net Cash Inflow (Outflow) from Financing | | <u>490</u> | | <u>(816)</u> |
| Increase (Decrease) in Cash | | | | |
| (Notes 29.2 and 3) | | <u><u>193</u></u> | | <u><u>(1,765)</u></u> |

The notes on pages 250 and 251 form part of this statement

NEWRY & MOURNE HSS TRUST

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2005

| | 2005 | | 2004 | |
|--|------|-------------------|------|---------------------|
| | £000 | £000 | £000 | £000 |
| Surplus (Deficit) for the financial year | | 1,259 | | 572 |
| Provisions for future obligations | | <u>164</u> | | <u>22</u> |
| | | 1,423 | | 594 |
| Fixed asset impairment losses | | 0 | | (3) |
| Non donated Fixed Assets | | | | |
| Indexation of fixed assets | | 1,956 | | 1,691 |
| Unrealised Surplus (deficit) on revaluation of fixed assets | | <u>(3,170)</u> | | <u>0</u> |
| | | (1,214) | | 1,691 |
| Donated Assets | | | | |
| Additions to donated assets | | 0 | | 0 |
| Changes to donation reserve (except transfers to realised donation reserve) | | <u>1</u> | | <u>1</u> |
| | | 1 | | 1 |
| Total recognised gains and losses relating to the year | | 210 | | 2,283 |
| Additions to Capital Assets Reserve | | <u>0</u> | | <u>0</u> |
| TOTAL GAINS/(LOSSES) RECOGNISED IN THE FINANCIAL YEAR | | <u><u>210</u></u> | | <u><u>2,283</u></u> |

NEWRY & MOURNE HEALTH & SOCIAL SERVICES TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

1.1 Authority

These accounts have been prepared in a form determined by the Department of Health, Social Services and Public Safety in accordance with the requirements of Article 90(2)(a) of the Health and Personal Social Services (Northern Ireland) Order 1972 No 1265 (NI 14) as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003.

1.2 Accounting Convention

These accounts have been prepared under the historical cost convention as modified by the indexation and revaluation of tangible fixed assets.

1.3 Basis of Preparation of Accounts

The accounts have been prepared in accordance with the 2004/05 HPSS Trust Manual of Accounts issued by the Department of Health, Social Services and Public Safety.

The accounting policies contained in that Manual follow UK generally accepted accounting practice (UK GAAP) to the extent that it is meaningful and appropriate to HPSS Trusts. The accounting policies are selected in accordance with the principles set out in FRS 18 "Accounting Policies" as the most appropriate for giving a true and fair view. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The principal variations between UK GAAP and the accounting policies directed by the Department of Health, Social Services and Public Safety are:

Paragraph 20 of Financial Reporting Standard 3 "Reporting Financial Performance" requires certain items of expenditure to be separately disclosed in the income and expenditure account after operating surplus/(deficit). These expenditure items do not include the costs associated with provision for liabilities and charges which are normally included within the calculation of the operating surplus/(deficit). However, as the Department measures the operating performance of Trusts by reference to the operating surplus/(deficit) excluding the impact of certain provisions, the income and expenditure account is presented to disclose the operating surplus/(deficit) before provisions for future obligations.

Financial Reporting Standard 15 "Tangible Fixed Assets" requires impairment losses on revalued fixed assets to be recognised in the statement of total recognised gains

and losses until the carrying value of the asset falls below depreciated historic cost, at which stage any further impairments are recognised in the income and expenditure account.

However, where an impairment arises due to consumption of economic benefits FRS 15 requires the loss to be recognised in the income and expenditure account in its entirety.

In the context of their capital accounting HSS Trusts take those impairment losses resulting from short term changes in price that are considered to be recoverable, 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.

1.4 Intangible fixed assets

Intangible fixed 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 (either individually or as a grouped asset).

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 (either individually or as a grouped asset). 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 they:

- individually have a cost of at least £5,000; OR
- they satisfy the criteria of a grouped assets i.e. collectively have a cost of at least £5,000, are functionally interdependent, broadly simultaneous purchase dates, and anticipated to have simultaneous disposal dates, under single managerial control and have an individual cost of £1,000 ; 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.

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 FRS 15 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 Valuations and Land Agency. 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, Social Services and Public Safety. In accordance with the requirements of the Department, asset valuations were undertaken in 2004/05 as at the valuation date of 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 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.

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 a 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 Trusts 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.

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 Research and development

Research and development expenditure is charged against income in the year in which it is incurred, except in so far as development expenditure relates to a clearly defined project and the benefits therefrom can reasonably be regarded as assured.

Expenditure so deferred is limited to the value of future benefits and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project.

1.8 Private Finance Initiative (PFI) transactions

The HPSS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides definitive guidance for the application of the FRS 5 Amendment.

PFI schemes are schemes under which the PFI operator receives an annual payment from the Trust for the services provided by the PFI operator.

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.

1.9 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.

1.10 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 adjusted using the Treasury's discount rate of 3.5% in real terms.

Provisions for clinical negligence are recognised only where it is more probable than not that a settlement will be required.

1.11 Clinical negligence central fund

A Clinical Negligence Central Fund was established in 1998 to manage the payment of clinical negligence settlements. HSS Trusts are reimbursed by the Central Fund for payments made. Reimbursements are accounted for as income.

The reimbursements from the Central Fund in respect of clinical negligence liabilities and provisions are included within debtors.

1.12 Pensions

The Trust participates in the HPSS Superannuation Scheme. Under this multi-employer defined benefit scheme both the Trust and employees pay specified percentages of pay into the scheme and the liability to pay benefit falls to the DHSSPS. The Trust is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reliable basis. Further information regarding the HPSS Superannuation Scheme can be found in the HPSS Superannuation Scheme Statement in the Departmental Resource Account for the Department of Health, Social Services and Public Safety.

The costs of early retirements are met by the Trust and charged to the Income and Expenditure Account at the time the Trust commits itself to the retirement.

1.13 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 31 to the accounts.

1.14 Leases

Assets held under finance leases are capitalised at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is subject to indexation and revaluation and is depreciated on its current fair value over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of interest on the outstanding balance. Rentals under operating leases are charged to the Income and Expenditure Account in the year in which they arise.

1.15 Losses

This note (Note 27) is a memorandum statement unlike most notes to the accounts which provide further detail of figures in the primary accounting statements. Most of the contents will be included in operating expenses.

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

2. Income from Activities

| | 2005 | 2004 |
|---|----------------------|----------------------|
| | £000 | £000 |
| NI Health and Social Services Boards | 86,210 | 77,227 |
| GB/Republic of Ireland Health Authorities | 175 | 160 |
| General Practice Fundholders | 0 | 0 |
| HSS Trusts | 0 | 0 |
| Non-HPSS: | | |
| - private patients | 395 | 293 |
| - other | 419 | 322 |
| Clients contributions | 3,656 | 3,667 |
| Total | <u>90,855</u> | <u>81,669</u> |

3. Other Operating Income

| | 2005 | 2004 |
|--|---------------------|---------------------|
| | £000 | £000 |
| Patient transport services | 0 | 0 |
| Other income from non-patient services | 1,378 | 1,387 |
| NICPMDE | 927 | 673 |
| SUMDE | 53 | 48 |
| Charitable and other contributions to expenditure | 0 | 0 |
| - Transfers from the donation reserve in respect of depreciation on donated assets | 12 | 11 |
| Income in respect of fixed asset impairments | 0 | 0 |
| Clinical Negligence Central Fund | 0 | 0 |
| Reversal of fixed asset impairments (specify) | 0 | 0 |
| Other income (specify where material) | 0 | 0 |
| Total | <u>2,370</u> | <u>2,119</u> |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

4. Operating Expenses

4.1 Operating Expenses are as follows:-

| | 2005 | 2004 |
|---|----------------------|----------------------|
| | £ | £ |
| Salaries and wages (excluding board members' remuneration) | 50,831 | 44,597 |
| Executive Board members remuneration | 504 | 486 |
| Non-executive Board members remuneration | 50 | 50 |
| Supplies and services - clinical | 4,198 | 4,098 |
| Supplies and services - general | 1,210 | 1,144 |
| Establishment | 2,685 | 2,393 |
| Transport | 152 | 112 |
| Premises | 4,397 | 5,449 |
| Bad debts | 84 | (155) |
| Depreciation and amortisation | 1,631 | 1,647 |
| Fixed asset impairments | 0 | 3 |
| Purchase of care from non-HPSS bodies and grants to voluntary organisations | 3,289 | 2,524 |
| Personal social services | 17,084 | 15,313 |
| Recharges from other HPSS organisations | 3,959 | 3,668 |
| Clinical Negligence Payments: | | |
| - Provisions Utilised | 0 | 0 |
| - Other | 0 | 0 |
| Audit fees | 20 | 21 |
| Other auditors remuneration | 0 | 0 |
| Miscellaneous | 1,543 | 1,514 |
| Total | <u>91,637</u> | <u>82,864</u> |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

4.2 Operating Leases

Operating expenses include the following amounts in respect of hire and operating lease rentals:

| | 2005 | 2004 |
|-----------------------------|-------------|-------------|
| | £000 | £000 |
| Hire of plant and machinery | 0 | 0 |
| Other operating leases | 50 | 98 |
| | <u>50</u> | <u>98</u> |

Commitments under non-cancellable operating leases are:

| | Land and buildings | | Other leases | |
|--------------------------------|---------------------------|-------------|---------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | £000 | £000 | £000 | £000 |
| Operating leases which expire: | | | | |
| Within 1 year | 0 | 0 | 8 | 35 |
| Between 1 and 5 years | 0 | 0 | 0 | 8 |
| After 5 years | 0 | 0 | 0 | 0 |
| | <u>0</u> | <u>0</u> | <u>8</u> | <u>43</u> |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

NOTE 5.1

5.1 Staff Costs

| | Directly employed £000 | Other £000 | 2005 £000 | 2004 £000 |
|---|---------------------------------------|-----------------------|----------------------|----------------------|
| Salaries and Wages | 45,266 | 796 | 46,062 | 40,255 |
| Social security costs | 2,885 | 0 | 2,885 | 2,656 |
| Pension Costs for early retirement reflecting the single lump sum to buy over the full liability | 0 | 0 | 0 | 0 |
| Other pension costs | 2,438 | 0 | 2,438 | 2,222 |
| Early departure costs | 0 | 0 | 0 | 0 |
| Total | <u>50,589</u> | <u>796</u> | <u>51,385</u> | <u>45,133</u> |

Of the total, £0 has been charged to capital

5.2 Average Number of Employees

| | Directly employed No. | Other No. | 2005 No. | 2004 No. |
|----------------------------------|--------------------------------------|----------------------|---------------------|---------------------|
| Medical and dental | 102 | 1 | 103 | 95 |
| Nursing and Midwifery | 586 | 21 | 607 | 571 |
| Professions Allied to medicine | 137 | 0 | 137 | 126 |
| Ancillaries | 143 | 4 | 147 | 138 |
| Administrative and clerical | 394 | 2 | 396 | 365 |
| Ambulance staff | 0 | 0 | 0 | 0 |
| Works | 18 | 0 | 18 | 18 |
| Other Professional and technical | 17 | 0 | 17 | 16 |
| Social Services | 277 | 3 | 280 | 251 |
| Other | 169 | 0 | 169 | 142 |
| | <u>1,843</u> | <u>31</u> | <u>1,874</u> | <u>1,722</u> |

Figures refer to wholetime equivalents (WTEs) rather than individuals

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

NOTE 5 (Cond)

5.3 Senior Employees' Remuneration

The salary, pension entitlements and the value of any taxable benefits in kind of the most senior members of the Trust were as follows:

| Name | Salary, including Performance Pay £000 | Benefits in Kind (rounded to nearest £100) | Real increase in pension and related lump sum at age 60 £000 | Total accrued pension at age 60 and related lump sum £000 | CETV at 31/03/04 £000 | CETV at 31/03/05 £000 | Real increase in CETV £000 |
|------------------------------|---|--|---|--|--------------------------|--------------------------|-------------------------------|
| Non-Executive Members | | | | | | | |
| Mr S Hogan | 21 | 0 | | | | | |
| Ms E Grant | 5 | 0 | | | | | |
| Mr D Meehan | 5 | 0 | | | | | |
| Mr D Farrell | 5 | 0 | | | | | |
| Mrs D Blakely | 5 | 0 | | | | | |
| Mr L McArdle | 5 | 0 | | | | | |
| Executive Members | | | | | | | |
| Mr E Bowyer | Consent to disclosure withheld | | | | | | |
| Mrs A Carroll | Consent to disclosure withheld | | | | | | |
| Mrs E Cavan | Consent to disclosure withheld | | | | | | |
| Mr M Dillon | Consent to disclosure withheld | | | | | | |
| Mr R Donnelly | Consent to disclosure withheld | | | | | | |
| Mr J Flynn | Consent to disclosure withheld | | | | | | |
| Dr P Loughran | Consent to disclosure withheld | | | | | | |
| Mrs J O'Hagan | Consent to disclosure withheld | | | | | | |

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The

CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the HPSS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines prescribed by the institute and Faculty of Actuaries

Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (Including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

NOTE 5 (Contd)

5.4 Staff Benefits

| | 2005 | 2004 |
|------------------------------|-------------|-------------|
| | £000 | £000 |
| There were no staff benefits | 0 | 0 |
| | 0 | 0 |
| | <u>0</u> | <u>0</u> |

5.5 Trust Management Costs

| | 2005 | 2004 |
|------------------------|-------------|-------------|
| | £000 | £000 |
| Trust Management Costs | 3,532 | 3,149 |
| Total Income | 93,225 | 83,788 |
| % of total income | <u>3.8%</u> | <u>3.8%</u> |

The above information is based on the Audit Commission's definition "M2" Trust management costs, as detailed in HSS (THR) 2/99.

5.6 Retirements due to ill-health

During 2004/05 there were no early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £nil.

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

6.1 Public Sector Payment Policy - Measure of Compliance

The Department requires that Trusts pay their non HPSS trade creditors in accordance with the CBI Prompt Payment Code and Government Accounting Rules. The Trust's payment policy is consistent with the CBI prompt payment codes and Government Accounting rules and its measure of compliance is:

| | Number | 2005 £000 | Number | 2004 £000 |
|---------------------------------------|---------------|----------------------|---------------|----------------------|
| Total bills paid | 39,949 | 36,322 | 43,724 | 32,395 |
| Total bills paid within 30 day target | 36,622 | 33,897 | 41,650 | 31,183 |
| % of bills paid within 30 day target | 91.7% | 93.3% | 95.3% | 96.3% |

6.2 The Late Payment of Commercial Debts Regulations 2002

The amount included within Interest Payable (Note 8) arising from claims made by small businesses under this legislation are as follows :

| | £000 |
|--------------|-------------|
| Total | <u>0</u> |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

7. Profit (Loss) on Disposal of Fixed Assets

| | 2005 £000 | 2004 £000 |
|---|----------------------------|----------------------------|
| Profit on disposal of intangible assets | 0 | 0 |
| Loss on disposal of intangible assets | 0 | 0 |
| Profit on disposal of land and buildings | 0 | 0 |
| Loss on disposal of land and buildings | 0 | 0 |
| Profit on disposal of plant and equipment | 0 | 0 |
| Loss on disposal of plant and equipment | 0 | 0 |
| | <hr/> | <hr/> |
| Total | <u>0</u> | <u>0</u> |

8. Interest Payable

| | 2005 £000 | 2004 £000 |
|-----------------------------------|----------------------------|----------------------------|
| Originating interest bearing debt | 507 | 540 |
| Further borrowing (government) | 0 | 0 |
| Further borrowing (other) | 0 | 0 |
| Finance leases | 0 | 0 |
| Other interest (Specify) | 0 | 0 |
| | <hr/> | <hr/> |
| Total | <u>507</u> | <u>540</u> |

An amount of £36,249 is included within Note 9.3 for the unwinding of discount on provisions.

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

9.1 Provisions for Future Obligations

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Provisions in year: | | |
| Clinical Negligence | (270) | 57 |
| Pensions | 0 | 0 |
| Employers liability | (20) | 13 |
| Public (Occupiers) liability | 0 | 0 |
| Injury benefit | 0 | 0 |
| Accrued leave | 0 | 0 |
| Restructuring | (164) | 0 |
| Industrial Relations Cases | 0 | 0 |
| Other | 0 | 0 |
| | <u>0</u> | <u>0</u> |
| Arising during the year (net) (9.2) | (454) | 70 |
| Unwinding of Discount on Provisions (9.3) | 36 | 181 |
| Utilised in year (9.4) | (106) | (276) |
| Other (Specify) | 0 | 0 |
| | 0 | 0 |
| | <u>0</u> | <u>0</u> |
| Movement in Year (subtotal) (note 17) | (524) | (25) |
| Reimbursements receivable (note 9.5) | 360 | 3 |
| Total Increase/decrease (to Income and Expenditure Account) | <u>(164)</u> | <u>(22)</u> |

9.2 Arising During the Year

| | 2005 £000 | 2004 £000 |
|---|----------------------------|----------------------------|
| Provided in year (note 17) | 302 | 166 |
| Provisions not required (reversed unused) (note 17) | (756) | (96) |
| Total Provided in year (9.1) | <u>(454)</u> | <u>70</u> |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

9.3 Unwinding of Discount on Provisions

| | 2005 £000 | 2004 £000 |
|--|----------------------------|----------------------------|
| Unwinding of discount on Provisions is analysed as follows: | | |
| Clinical Negligence | 36 | 177 |
| Other | 0 | 4 |
| Total Unwinding of Discounts on Provisions (Note 9.1) | <u>36</u> | <u>181</u> |

9.4 Utilised in year

| | 2005 £000 | 2004 £000 |
|---|----------------------------|----------------------------|
| Clinical Negligence (Note 17) | (27) | (193) |
| Pensions relating to former directors (note 17) | (5) | (5) |
| Pensions relating to other staff (note 17) | (25) | (26) |
| Restructuring (note 17) | 0 | (30) |
| Other (note 17) | (49) | (22) |
| Total Utilised (Note 9.4) | <u>(106)</u> | <u>(276)</u> |

9.5 Reimbursements Receivable

| | 2005 £000 | 2004 £000 |
|---|----------------------------|----------------------------|
| Clinical Negligence Central Fund | 261 | (41) |
| Pensions relating to former directors (note 17) | 5 | 5 |
| Pensions relating to other staff (note 17) | 25 | 26 |
| Other (Public and employer's liability) | 69 | 13 |
| Total Reimbursements Receivable | <u>360</u> | <u>3</u> |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

10 Intangible Fixed Assets

| Cost or Valuation | Software licences £000 | Other licences and trademarks £000 | Patents £000 | Development Expenditure £000 | Total £000 |
|-----------------------------------|------------------------------|---|-----------------|------------------------------------|---------------|
| At 1 April 2004 | 0 | 0 | 0 | 0 | 0 |
| Indexation | 0 | 0 | 0 | 0 | 0 |
| Additions - purchased | 0 | 0 | 0 | 0 | 0 |
| Additions - donated | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 |
| Other Revaluation | | | | | |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2005 | 0 | 0 | 0 | 0 | 0 |
| Depreciation | | | | | |
| At 1 April 2004 | 0 | 0 | 0 | 0 | 0 |
| Indexation | 0 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 | 0 |
| Revaluation | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 |
| Provided during the year | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2005 | 0 | 0 | 0 | 0 | 0 |
| Net Book Value | | | | | |
| At 31 March 2005 | 0 | 0 | 0 | 0 | 0 |
| - Purchased | | | | | |
| - Donated | | | | | |
| Total at 31 March 2005 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2004 | | | | | |
| - Purchased | 0 | 0 | 0 | 0 | 0 |
| - Donated | 0 | 0 | 0 | 0 | 0 |
| Total at 31 March 2004 | 0 | 0 | 0 | 0 | 0 |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

11. Tangible Fixed Assets

11.1 Tangible fixed assets comprise the following elements:

Purchased Assets

| Cost or Valuation | Land £000 | Buildings Installations and fittings £000 | Computer Equipment £000 | Other Equipment £000 | Assets under Construction £000 | Total £000 |
|----------------------------------|--------------|--|-------------------------------|----------------------------|--------------------------------------|---------------|
| At 1 April 2004 | 1,815 | 27,782 | 871 | 8,600 | 0 | 39,068 |
| Indexation | 94 | 2,200 | 0 | 186 | 0 | 2,480 |
| Additions | 157 | 1,472 | 382 | 297 | 597 | 2,905 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | (417) | 0 | (417) |
| National Revaluation Exercise | 3,927 | (7,097) | 0 | 0 | 0 | (3,170) |
| At 31 March 2005 | 5,993 | 24,357 | 1,253 | 8,666 | 597 | 40,866 |

Depreciation

| | | | | | | |
|----------------------------------|----------|----------|------------|--------------|----------|--------------|
| At 1 April 2004 | 0 | 4,828 | 336 | 6,601 | 0 | 11,765 |
| Indexation | 0 | 382 | 0 | 142 | 0 | 524 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | (417) | 0 | (417) |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Provided during the year | 0 | 1,102 | 118 | 399 | 0 | 1,619 |
| National Revaluation Exercise | 0 | (6,312) | 0 | 0 | 0 | (6,312) |
| At 31 March 2005 | 0 | 0 | 454 | 6,725 | 0 | 7,179 |

Net Book Value

| | | | | | | |
|------------------|--------------|---------------|------------|--------------|------------|---------------|
| At 31 March 2005 | 5,993 | 24,357 | 799 | 1,941 | 597 | 33,687 |
| At 31 March 2004 | 1,815 | 22,954 | 535 | 1,999 | 0 | 27,303 |

Of the total net book value at 31 March 2005, £911,000 related to buildings, installations and fittings valued at open market value for alternative use.

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

Note 11.1 (Contd)

Donated Assets

| | Land | Buildings | Computer | Other | Assets under | Total |
|--|-------------|----------------------|------------------|------------------|---------------------|--------------|
| | £000 | Installations | Equipment | Equipment | Construction | £000 |
| Cost or Valuation | | and fittings | | | | £000 |
| | | £000 | £000 | £000 | £000 | |
| At 1 April 2004 | 0 | 0 | 0 | 180 | 0 | 180 |
| Indexation | 0 | 0 | 0 | 4 | 0 | 4 |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| National Revaluation Exercise | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |
| At 31 March 2005 | 0 | 0 | 0 | 184 | 0 | 184 |
| | | | | | | |
| Depreciation | | | | | | |
| At 1 April 2004 | 0 | 0 | 0 | 155 | 0 | 155 |
| Indexation | 0 | 0 | 0 | 3 | 0 | 3 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversal of Impairments Provided during the year | 0 | 0 | 0 | 12 | 0 | 12 |
| National Revaluation Exercise | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |
| At 31 March 2005 | 0 | 0 | 0 | 170 | 0 | 170 |
| | | | | | | |
| Net Book Value | | | | | | |
| At 31 March 2005 | 0 | 0 | 0 | 14 | 0 | 14 |
| | | | | | | |
| At 31 March 2004 | 0 | 0 | 0 | 25 | 0 | 25 |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

11.2 Total Tangible Fixed Assets:

| | Purchased | Donated | Total | 2004 |
|--------------------------------------|------------------|----------------|---------------|---------------|
| | £000 | £000 | £000 | £000 |
| Net book value: | | | | |
| Land | 5,993 | 0 | 5,993 | 1,815 |
| Buildings installations and fittings | 24,357 | 0 | 24,357 | 22,954 |
| Computer Equipment | 799 | 0 | 799 | 535 |
| Other Equipment | 1,941 | 14 | 1,955 | 2,024 |
| Assets under construction | 597 | 0 | 597 | 0 |
| Total | 33,687 | 14 | 33,701 | 27,328 |

11.3 The net book value of land and buildings comprises:

| | 2005 | 2004 |
|-----------------|---------------|---------------|
| | £000 | £000 |
| Freehold | 30,350 | 24,769 |
| Long leasehold | 0 | 0 |
| Short leasehold | 0 | 0 |
| | 30,350 | 24,769 |

11.4 The net book value of assets held under finance leases and hire purchase contracts are as follows:

| | 2005 | 2004 |
|---------------------------------------|-------------|-------------|
| | £000 | £000 |
| Land | 0 | 0 |
| Buildings, Installations and fittings | 0 | 0 |
| Equipment | 0 | 0 |
| Assets under construction | 0 | 0 |
| | 0 | 0 |

The total amount of depreciation charged in the Income and Expenditure Account in respect of assets held under finance leases and hire purchase contracts is £nil (2004 £nil)

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

12. Stocks and Work in Progress

| | 2005 £000 | 2004 £000 |
|-------------------------------|--------------|--------------|
| Raw Materials and consumables | 164 | 158 |
| Work in progress | 0 | 0 |
| Finished goods | 0 | 0 |
| Total | 164 | 158 |

13. Debtors

| | 2005 £000 | 2004 £000 |
|--------------------------------------|--------------|--------------|
| Amounts falling due within one year: | | |
| HSS or NHS debtors | 3,936 | 2,875 |
| Clinical Negligence - Central Fund | 1,895 | 1,672 |
| Other debtors | 2,511 | 2,166 |
| Pension Prepayments | | |
| in respect of former directors | 0 | 0 |
| in respect of other staff | 0 | 0 |
| Other prepayments and accrued income | 129 | 30 |
| Sub Total | 8,471 | 6,743 |

The balances are net of a provision for bad debts of
£242,000 (2004 £158,000)

| | | |
|---|--------------|--------------|
| Amounts falling due after more than one year: | | |
| HSS or NHS debtors | 7 | 28 |
| Clinical Negligence - Central Fund | 560 | 1,044 |
| Other debtors | 12 | 24 |
| Pension Prepayments | | |
| in respect of former directors | 0 | 0 |
| in respect of other staff | 0 | 0 |
| Other prepayments and accrued income | 0 | 0 |
| Sub Total | 579 | 1,096 |
| Total | 9,050 | 7,839 |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

14. Short-term Investments

| | 2005 | 2004 |
|--|------------------|-------------------|
| | £000 | £000 |
| Government Securities | 0 | 0 |
| Other Approved Public Sector Organisations | 0 | 0 |
| Banking Deposits | 10 | 192 |
| Others (specify if in excess of £50,000) | <u>0</u> | <u>0</u> |
| Total | <u>10</u> | <u>192</u> |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

15. Creditors

15.1 Creditors: Amounts falling due within one year:

| | 2005 | 2004 |
|--|--------------|--------------|
| | £000 | £000 |
| Bank overdrafts | 0 | 0 |
| Current instalments due on loans | 410 | 410 |
| Interest payable | 29 | 31 |
| Public dividend capital dividend payable | 1,218 | 567 |
| PDC payable in respect of impairments | 0 | 0 |
| Payments received on account | 0 | 0 |
| HPSS or NHS creditors and accruals | 616 | 561 |
| Non HPSS or NHS trade revenue creditors | 3,832 | 2,674 |
| Non HPSS or NHS trade capital creditors | 386 | 28 |
| Payroll creditors including taxation and social security | 1,723 | 1,487 |
| Net obligations under finance leases | 0 | 0 |
| Clinical Negligence | 0 | 0 |
| Pensions | | |
| - relating to former directors | 0 | 0 |
| - relating to other staff | 0 | 0 |
| Other accruals | 20 | 22 |
| Other creditors | 72 | 0 |
| | <hr/> | <hr/> |
| Sub Total | 8,306 | 5,780 |

The accrual for Agenda for Change is £1,196,500

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

15.2 Creditors: Amounts falling due after more than one year:

| | | |
|---|---------------|---------------|
| Long Term Loans | 5,535 | 5,945 |
| Obligations under finance leases and hire purchase contracts | 0 | 0 |
| HPSS or NHS Creditors | 0 | 0 |
| Clinical Negligence | 0 | 0 |
| Pensions | | |
| - relating to former directors | 0 | 0 |
| - relating to other staff | 0 | 0 |
| Other | 0 | 0 |
| Sub Total | 5,535 | 5,945 |
| Total Creditors | 13,841 | 11,725 |

Pension creditors include £0 relating to payments due in future years under arrangements to buy out the liability for early retirements over 5 years.

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

15.3 Finance lease obligations

The future minimum lease payments under finance leases to which the Trust was committed at the balance sheet date were as follows:

| | 2005 | 2004 |
|--|-----------------|-----------------|
| | £000 | £000 |
| Within one year | 0 | 0 |
| Between one and five years | 0 | 0 |
| After five years | 0 | 0 |
| | <u>0</u> | <u>0</u> |
| Less finance charges allocated to future periods | 0 | 0 |
| | <u>0</u> | <u>0</u> |
| | <u><u>0</u></u> | <u><u>0</u></u> |

This total net obligation under finance leases can be analysed as follows:

| | 2005 | 2004 |
|---|-----------------|-----------------|
| | £000 | £000 |
| Creditors: amounts due within one year | 0 | 0 |
| Creditors: amounts due after more than one year | 0 | 0 |
| | <u>0</u> | <u>0</u> |
| | <u><u>0</u></u> | <u><u>0</u></u> |

15.4 Public Dividend Capital Dividends

| | 2005 | 2004 |
|---|---------------------|-------------------|
| | £000 | £000 |
| The dividend is in respect of Public Dividend Capital | 1,218 | 567 |
| | <u>1,218</u> | <u>567</u> |
| | <u><u>1,218</u></u> | <u><u>567</u></u> |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

16. Loans

| | Government Loans £000 | Other Loans £000 | 2005 £000 | 2004 £000 |
|----------------------------|--------------------------------------|---------------------------------|----------------------|----------------------|
| Amounts falling due: | | | | |
| In one year or less | 410 | 0 | 410 | 410 |
| Between one and two years | 410 | 0 | 410 | 410 |
| Between two and five years | 1,230 | 0 | 1,230 | 1,230 |
| In five years or more | 3,895 | 0 | 3,895 | 4,305 |
| Total | 5,945 | 0 | 5,945 | 6,355 |

| | Government Loans £000 | Other Loans £000 | 2005 £000 | 2004 £000 |
|---|--------------------------------------|---------------------------------|----------------------|----------------------|
| Wholly repayable within five years | 0 | 0 | 0 | 0 |
| Wholly repayable after five years, not by instalments | 0 | 0 | 0 | 0 |
| Wholly or partially repayable after five years by instalments | 5,945 | 0 | 5,945 | 6,355 |
| Total | 5,945 | 0 | 5,945 | 6,355 |

| | | | | |
|---|--------------|----------|--------------|--------------|
| Total Repayable after five years by instalments | 3,895 | 0 | 3,895 | 4,305 |
|---|--------------|----------|--------------|--------------|

Loans wholly or partially repayable after five years:

| Terms of payment | Interest Rate % | 2005 £000 | 2004 £000 |
|--------------------------|--------------------------------|----------------------|----------------------|
| Originating Capital Debt | 8.125 | 5,945 | 6,355 |
| (Specify) | 0.000 | 0 | 0 |
| (Specify) | 0.000 | 0 | 0 |
| (Specify) | 0.000 | 0 | 0 |
| (Specify) | 0.000 | 0 | 0 |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

17. Provisions for liabilities and charges

| | Pensions relating to former directors £000 | Pensions relating to other staff £000 | Clinical negligence £000 | Restructuring £000 | Other £000 | 2005 £000 | 2004 £000 |
|--------------------------|--|--|--------------------------------|-----------------------|---------------|--------------|--------------|
| Balance at 1 April 2004 | 46 | 126 | 2,716 | 164 | 176 | 3,228 | 3,253 |
| Arising during the year | 0 | 0 | 288 | 0 | 14 | 302 | 166 |
| Utilised during the year | (5) | (25) | (27) | 0 | (49) | (106) | (276) |
| Reversed unused | 0 | 0 | (558) | (164) | (34) | (756) | (96) |
| Unwinding of discount | 0 | 0 | 36 | 0 | 0 | 36 | 181 |
| At 31 March 2005 | 41 | 101 | 2,455 | 0 | 107 | 2,704 | 3,228 |

Income and Expenditure Account Charges

| | £000 |
|--------------------------|--------------|
| Arising during the year | 302 |
| Utilised during the year | (106) |
| Reversed unused | (756) |
| Unwinding of discounts | 36 |
| Total | (524) |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

Note 17 (Contd)

Expected Timing of Cash Flow

| | Pensions relating to former directors £000 | Pensions relating to other staff £000 | Clinical Negligence £000 | Restructuring £000 | Other £000 | 2005 £000 | 2004 £000 |
|---------------|---|--|---|-------------------------------|-----------------------|----------------------|----------------------|
| Within 1 year | 5 | 25 | 1,895 | 0 | 100 | 2,025 | 2,014 |
| 1 - 5 years | 19 | 76 | 560 | 0 | 7 | 662 | 1,184 |
| Over 5 years | 17 | 0 | 0 | 0 | 0 | 17 | 30 |

The amounts provided for Pensions relating to former directors and other staff are based on the total forecast payments to staff granted early retirement prior to 31 March 2005.

The provision for Clinical Negligence is based on legal advice regarding likely settlement amounts and settlement dates for cases currently lodged against the Trust.

"Other" includes provisions for legal claims other than clinical negligence. The amount provided for legal claims is based on legal advice. Expected reimbursement from the Southern Health and Social Services Board in relation to legal claims included in debtors amount to £107k

Expected reimbursements from the Clinical Negligence Central Fund included in debtors are :-

| | |
|----------------------------------|-------------|
| | £000 |
| Clinical Negligence Central Fund | 2,455 |

The clinical negligence provision includes £nil for incidents against which claims have not, as yet been received. The related reimbursements, included in debtors, amount to £nil.

In addition to the clinical negligence provision, contingent liabilities for clinical negligence are given in Note 25.

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

18. Public Dividend Capital

| | 2005 £000 | 2004 £000 |
|--|---------------|---------------|
| Public dividend capital was issued as follows: | | |
| During the reporting year | 900 | (406) |
| In prior years | 13,723 | 14,129 |
| Total | 14,623 | 13,723 |

19. Movements on Reserves

| | Revaluation Reserve £000 | Donation Reserve £000 | Realised Donation Reserve £000 | Other Reserves £000 | Income and Expenditure Reserve £000 | Total £000 |
|---|--------------------------------|-----------------------------|---|---------------------------|--|---------------|
| At 1 April 2004 | 7,483 | 25 | 0 | 0 | 544 | 8,052 |
| Retained surplus (deficit) for year | 0 | 0 | 0 | 0 | 205 | 205 |
| Revaluation and indexation of fixed assets | 5,097 | 1 | 0 | 0 | 0 | 5,098 |
| Transfer of realised profits (losses) | 0 | 0 | 0 | 0 | 0 | 0 |
| Movements in donation reserve | 0 | (12) | 0 | 0 | 0 | (12) |
| Fixed Asset Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Other reserve movements (specify) | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2005 | 12,580 | 14 | 0 | 0 | 749 | 13,343 |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

20. Reconciliation of Movement in Government Funds

| | 2005 £000 | 2004 £000 |
|---|----------------------|----------------------|
| Surplus (deficit) for the financial year | 1,259 | 572 |
| add provisions for future obligations | 164 | 22 |
| less public dividend capital dividends | <u>(1,218)</u> | <u>(567)</u> |
| | 205 | 27 |
| Gains (losses) from revaluation/indexation of | | |
| Purchased fixed assets | 5,097 | 1,691 |
| Public dividend capital repayments | 0 | (406) |
| Public dividend capital issued | 900 | 0 |
| New Government loans issued | | |
| Government loans repayments | (410) | (410) |
| Additions (reductions) in other reserves | | |
| | <u>117</u> | <u>0</u> |
| Net Movement in Government funds | 5,909 | 902 |
| Government funds at 31 March 2004 | | |
| | <u>27,988</u> | <u>27,086</u> |
| Government funds at 31 March 2005 | <u>33,897</u> | <u>27,988</u> |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

21 Financial Performance Targets

21.1 Capital Cost Absorption Duty

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 interest payable on Government borrowing plus dividends payable on public dividend capital, totalling £1,725k, bears to the average relevant net assets of £29,031k that is 5.9%.

The return for 2004/2005 is calculated as 5.9% (2003/2004 4.2%)

The variance from 3.5% arises from the overestimate of capital charges for the year 2004/05

The Capital Cost Absorption Rate is calculated as follows:

Capital Cost Absorption rate (%) = (TDR/Average relevant net assets) x 100

| | 2005 |
|--|---------------------|
| | £000 |
| Trust Debt Remuneration is calculated as: | |
| Interest payable on Government borrowing | 507 |
| Plus | |
| Dividends payable on Public Dividend Capital | <u>1,218</u> |
| Trust Debt Remuneration | <u><u>1,725</u></u> |

Average Relevant Net Assets is calculated as:

Average relevant net assets is the simple average of opening and closing relevant net assets, where each are calculated as follows:

| | Opening | Closing | Average |
|---|----------------------|----------------------|----------------------|
| | £000 | £000 | £000 |
| Total capital and reserves* (equivalent to total net assets) | 21,775 | 24,824 | 23,300 |
| Less: | | | |
| Donation reserve | (25) | (14) | (20) |
| Purchased assets in the course of construction | 0 | (597) | (299) |
| Short-term assets | (192) | (10) | (101) |
| Finance Lease assets (during their primary lease term) | | | |
| Plus: | | | |
| Loans and overdrafts | 6,355 | 5,945 | 6,150 |
| Finance Lease Creditors (capital only) | | | |
| Relevant Net Assets | <u><u>27,913</u></u> | <u><u>30,148</u></u> | <u><u>29,031</u></u> |

*Capital and reserves excludes the impact of the national revaluation exercise.

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

21.2 Break Even Performance

The Trust is required to ensure that its income is sufficient to meet its expenditure taking one year with another. Over the last five years the Trust has achieved the following results:

| | 2000/01 £000 | 2001/02 £000 | 2002/03 £000 | 2003/04 £000 | 2004/05 £000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| i. Turnover | 59,585 | 65,184 | 73,085 | 83,788 | 93,225 |
| ii. Operational Surplus/(Deficit) for Financial Year before Provisions and Exceptional Income | (134) | 133 | (4) | 5 | 41 |
| iii. Break Even in year position | (134) | 133 | (4) | 5 | 41 |
| iv. Break Even cumulative position(opening) | 807 | 673 | 806 | 802 | 807 |
| v. Other Adjustments | 0 | 0 | 0 | 0 | 0 |
| vi. Exceptional Income Year ended 31 March 2001 | 0 | - | - | - | - |
| vii. Break Even Cumulative position(closing) | 673 | 806 | 802 | 807 | 848 |
| If a Break Even cumulative deficit - anticipated financial year of recovery | | | | | 0 |
| If more than 2 years- agree period | | | | | 0 |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

Note 21.2 (Contd)

| | 2000/01 | 2001/02 | 2002/2003 | 2003/2004 | 2004/2005 |
|---|---------|---------|-----------|-----------|-----------|
| | % | % | % | % | % |
| Materiality Test: | | | | | |
| Break Even in year position as % of turnover | -0.2% | 0.2% | 0.0% | 0.0% | 0.0% |
| Break Even cumulative position as % of turnover | 1.1% | 1.2% | 1.1% | 1.0% | 0.8% |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

21.3 External Financing Limit

| | 2005 | 2004 |
|---|--------------|--------------|
| | £000 | £000 |
| External Financing Limit set by the Department | <u>1,174</u> | <u>1,149</u> |

The Trust stayed within its External Financing Limit by £877,000. The Trust's External Financing Requirement for the year was £297,000 and was met as follows:-

| | 2005 | 2004 |
|---------------------------------|-------------|-------------|
| | £000 | £000 |
| Increase (decrease) in: | | |
| Public dividend capital | 900 | (406) |
| Government long-term loans | (410) | (410) |
| Other long-term loans | | |
| Short-term loans | | |
| Overdrafts | 0 | 0 |
| Finance lease capital creditors | | |
| (Increase) decrease in: | | |
| Short-term investments | 182 | 2,129 |
| Cash at bank and in hand | (375) | (364) |
| External Finance Assessed | <u>297</u> | <u>949</u> |

21.4 Capital Resource Limit

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

| | 2005 |
|---|--------------|
| | £000 |
| Gross Capital Expenditure (charge against the CRL) | 2,905 |
| Capital Resource Limit | <u>3,414</u> |
| (Over)/Underspend against CRL | <u>509</u> |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

22. Private Finance Transactions

22.1 PFI Schemes deemed to be off balance sheet

| | 2005 | 2004 |
|--|-------------|-------------|
| | £000 | £000 |
| Amounts included within operating expenses in respect of PFI transactions deemed to be off balance sheet | 0 | 0 |

| | £000 | £000 |
|--|-------------|-------------|
| The Trust is committed to make the following payments during the next year | | |
| PFI scheme which expires within one year | 0 | 0 |
| 2 to 5 years (inclusive) | 0 | 0 |
| 6 to 10 years (inclusive) | 0 | 0 |
| 11 to 15 years (inclusive) | 0 | 0 |
| 16 to 20 years (inclusive) | 0 | 0 |
| 21 to 25 years (inclusive) | 0 | 0 |
| 26 to 30 years (inclusive) | 0 | 0 |
| 31 to 35 years (inclusive) etc. | 0 | 0 |

| | 2005 | 2004 |
|--|-------------|-------------|
| | £000 | £000 |
| Estimated capital value of the PFI schemes | | |
| Carparks | 0 | 0 |
| ATICS Equipment Scheme | 0 | 0 |
| Bed Management Scheme | 0 | 0 |
| Equipment Leases | 0 | 0 |
| Laboratory Equipment Scheme | 0 | 0 |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

22.2 Service element of PFI schemes deemed to be on balance sheet.

| | 2005 | 2004 |
|---|-------------|-------------|
| | £000 | £000 |
| Amounts included within operating expenses in respect of the 'service' element of PFI schemes deemed to be on balance sheet | 0 | 0 |

The Trust is committed to make the following payments during the next year

| | 2005 | 2004 |
|--|-------------|-------------|
| | £000 | £000 |
| PFI scheme which expires within one year | | |
| 2 to 5 years (inclusive) | 0 | 0 |
| 6 to 10 years (inclusive) | 0 | 0 |
| 11 to 15 years (inclusive) | 0 | 0 |
| 16 to 20 years (inclusive) | 0 | 0 |
| 21 to 25 years (inclusive) | 0 | 0 |
| 26 to 30 years (inclusive) | 0 | 0 |
| 31 to 35 years (inclusive) | 0 | 0 |
| | <u>0</u> | <u>0</u> |
| | 0 | 0 |

The Trust has no PFI schemes deemed to be on balance sheet.

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

23. Capital Commitments

Capital commitments at the balance sheet date were:-

| | Finance Leases £000 | Other £000 | 2005 Total £000 | 2004 Total £000 |
|---|------------------------------------|-----------------------|--------------------------------|--------------------------------|
| Contracted | 0 | 2,000 | 2,000 | 1,500 |
| Authorised by the Board, but not contracted | 0 | 1,000 | 1,000 | 2,477 |
| Total | 0 | 3,000 | 3,000 | 3,977 |

24. Post Balance Sheet Events

There are no post balance sheet events having a material effect on the accounts

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

25. Contingent Liabilities

Clinical Negligence

The Trust has contingent liabilities of £1,840,000 for clinical negligence incidents. The Trust's financial liability, if any, cannot be determined until the related claims are resolved. An estimate of the amount involved, inclusive of legal costs, is:

| | 2005 | 2004 |
|--|-----------------|-----------------|
| | £000 | £000 |
| Total estimate of contingent clinical negligence liabilities | 1,840 | 1,834 |
| Amount recoverable from the Clinical Negligence Central Fund | <u>(1,840)</u> | <u>(1,834)</u> |
| Net Contingent Liability | <u><u>0</u></u> | <u><u>0</u></u> |

In addition to the above contingent liability, provisions for clinical negligence are given in Note 17.

Other clinical litigation claims could arise in the future due to incidents which have already occurred. The expenditure which may arise from such claims cannot be determined as yet.

Contingencies not relating to clinical negligence are as follows:

| | 2005 | 2004 |
|----------------------|-----------------|-----------------|
| | £000 | £000 |
| Public Liability | 0 | 0 |
| Employers' Liability | 0 | 0 |
| Accrued Leave | 0 | 0 |
| Injury Benefit | 0 | 0 |
| Other (Specify) | <u>0</u> | <u>0</u> |
| Total | <u><u>0</u></u> | <u><u>0</u></u> |

26. Related Party Transactions

During the year, none of the board members, members of the key management staff or other related parties has undertaken any material transactions with the Newry and Mourne HSS Trust.

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

NOTE 27

Analysis of Losses and Special Payments

| | TYPE OF LOSS | NO. OF CASES | VALUE £ |
|----|--|-----------------|----------------|
| 1 | Cash Losses - Theft, fraud etc | 0 | 0 |
| 2 | Cash Losses - Overpayments of salaries, wages and allowances | 0 | 0 |
| 3 | Cash Losses - Other causes (including unvouched and incompletely vouched payments) | 0 | 0 |
| 4 | Nugatory and fruitless payments - Abandoned Capital Schemes | 0 | 0 |
| 5 | Other nugatory and fruitless payments | 0 | 0 |
| 6 | Bad debts and claims abandoned | 21 | 41,874 |
| 7 | Stores and Inventory Losses - Theft, fraud, arson (whether proved or suspected) etc | 0 | 0 |
| | i. Bedding and linen | 0 | 0 |
| | ii. Other equipment and property | 0 | 0 |
| 8 | Stores and Inventory Losses - Incidents of the service (result of fire, flood, etc) | 0 | 0 |
| 9 | Stores and Inventory Losses - Deterioration in store | 1 | 72 |
| 10 | Stores and Inventory Losses - Stocktaking discrepancies | 0 | 0 |
| 11 | Stores and Inventory Losses - Other causes | 0 | 0 |
| | i. Bedding and linen | 0 | 0 |
| | ii. Other equipment and property | 0 | 0 |
| 12 | Compensation payments (legal obligation) | 0 | 0 |
| | i. Clinical Negligence | 3 | 36,499 |
| | ii. Public Liability | 1 | 375 |
| | iii. Employers Liability | 3 | 52,761 |
| 13 | Ex-gratia payments - Compensation payments (including payments to patients and staff) | 2 | 5,462 |
| 14 | Ex-gratia payments - Other payments | 0 | 0 |
| 15 | Extra statutory payments | 0 | 0 |
| 16 | a. Losses sustained as a result of damage to buildings and fixtures arising from bomb explosions or civil commotion. | 0 | 0 |
| | b. Damage to vehicles | 0 | 0 |
| | TOTAL | 31 | 137,043 |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

28. Intra-Government balances

| Name | Creditors | | Debtors | |
|---|---|--|--|---|
| | Amounts falling due within 1 year £000 | Amounts falling due after more than 1 year £000 | Amounts falling due after more than 1 year £000 | Amounts falling due within 1 year £000 |
| Other central government bodies | 1628 | 5535 | 0 | 56 |
| Northern Ireland Health and Social Service Boards | 49 | 0 | 8 | 3446 |
| HSS Trusts | 540 | 0 | 0 | 24 |
| NHS Trusts | 0 | 0 | 0 | 0 |
| Agencies & Special Agencies | 83 | 0 | 560 | 2486 |
| Non-Departmental Public Bodies | 0 | 0 | 0 | 0 |
| Local Authorities | 0 | 0 | 0 | 0 |
| Public corporations and trading funds | 0 | 0 | 0 | 0 |
| Total | 2300 | 5535 | 568 | 6012 |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

29. Notes to the Cash Flow Statement

29.1 Reconciliation of operating surplus (deficit) to net cash inflow from operating activities

| | 2005 | 2004 |
|---|---------------------|---------------------|
| | £000 | £000 |
| Operating surplus (deficit) | 1,588 | 924 |
| Depreciation charge | 1,631 | 1,647 |
| Provisions for future obligations (I&E Account) | 164 | 22 |
| Fixed asset impairments | 0 | 3 |
| Transfer from donation reserve | (12) | (11) |
| Non-cash Items | 0 | 0 |
| Increase (decrease) in provisions (Balance Sheet) | (524) | (25) |
| (Increase) decrease in stocks | (6) | 8 |
| (Increase) decrease in debtors | (1,211) | (1,037) |
| Increase (decrease) in creditors | 2,117 | 44 |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | <u>3,747</u> | <u>1,575</u> |

NEWRY & MOURNE HSS TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

29. Notes to the Cash Flow Statement

29.2 Reconciliation of net cash flow to movement in net debt

| | 2005 £000 | £000 | 2004 £000 | £000 |
|--|--------------|-----------------------|--------------|---------|
| Increase/(decrease) in cash in the period | 193 | | (1,765) | |
| Cash inflow from new debt | 0 | | 0 | |
| Cash outflow from debt repaid and finance lease capital payments | 410 | | 410 | |
| Cash (inflow)/outflow from decrease/increase in liquid resources | <u>0</u> | | <u>0</u> | |
| Change in net debt resulting from cash flows | | 603 | | (1,355) |
| Non-cash changes in debt | | <u>0</u> | | 0 |
| Net Debt at 1 April 2004 | | <u>(4,952)</u> | | (3,597) |
| Net Debt at 31 March 2005 | | <u><u>(4,349)</u></u> | | (4,952) |

29.3 Analysis of changes in net debt

| | At 1 April 2004 £000 | Cash flows £000 | Non-cash changes £000 | At 31 March 2005 £000 |
|---------------------------|----------------------------|-----------------------|-----------------------------|-----------------------------|
| Cash at bank and in hand | 1,211 | 375 | | 1,586 |
| Bank overdrafts | 0 | 0 | | 0 |
| Debt due within 1 year | (410) | 410 | (410) | (410) |
| Debt due after 1 year | (5,945) | 0 | 410 | (5,535) |
| Finance leases | 0 | 0 | | 0 |
| Current asset investments | 192 | (182) | | 10 |
| | <u>(4,952)</u> | <u>603</u> | <u>0</u> | <u>(4,349)</u> |

NEWRY & MOURNE HEALTH & SOCIAL SERVICES TRUST

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 NOTES TO THE ACCOUNTS

30. 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 relationship with HSS Commissioners, and the manner in which they are funded, the Newry & Mourne HSS 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 Newry & Mourne HSS 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 Newry & Mourne HSS Trust in undertaking its activities.

31. Third party assets

The Trust held £219,022 cash at bank and in hand at 31/3/05 which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts. A separate audited account of these monies is maintained by the Trust.

FOREWORD

These accounts for the year ended 31 March 2005 have been prepared in accordance with Article 90(2)(a) of the Health and Personal Social Services (Northern Ireland) Order 1972, as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003, in a form directed by the Department of Health, Social Services and Public Safety.

Newry and Mourne Health and Social Services Trust

Account of Monies held on behalf of Patients/Residents

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the account on page 256 which the Trust is required by the Health and Personal Social Services (Northern Ireland) Order 1991 to prepare and submit in such form as the Department of Health, Social Services and Public Safety may direct.

Respective Responsibilities of the Board Members and Chief Executive and Auditor

As described on page 257 the Board Members and Chief Executive are responsible for the preparation and submission of the account as required by the Health and Personal Social Services (Northern Ireland) Order 1991 in such form as the Department of Health, Social Services and Public Safety directs and for ensuring the regularity of financial transactions. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the account properly presents the payments and receipts of the monies held on behalf of patients/residents and are properly prepared as required by the Health and Personal Social Services (Northern Ireland) Order 1991 in such form as the Department of Health, Social Services and Public Safety directs, and whether in all material respects the payments and receipts conform to the authorities which govern them. I also report if, in my opinion the Trust has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the account. It also includes an assessment of the judgements made by the Board Members and Chief Executive in the preparation of the account.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the account is free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the payments and receipts conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the account.

Opinion

In my opinion:

- the account properly presents the payments and receipts of the monies held on behalf of patients/residents by the Newry and Mourne Health and Social Services Trust for the year ended 31 March 2005 and balances held at that date and have been properly prepared as required by the Health and Personal Social Services (NI) Order 1991 in such form as the Department of Health, Social Services and Public Safety may direct; and
- in all material respects the payments and receipts conform to the authorities which govern them.

I have no observations to make on this account.

J M Dowdall CB
Comptroller and Auditor General
Date:
25th August 2005

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

STATEMENT OF TRUSTS RESPONSIBILITIES IN RELATION TO PATIENTS/RESIDENTS MONIES

The Trust is required by Health and Personal Social Services (Northern Ireland) Order 1991 to prepare and submit accounts in such format as the Department may direct.

The Trust is also required to maintain proper and distinct accounting records and is responsible for safeguarding the monies held on behalf of patients/residents and for taking reasonable steps to prevent and detect fraud and other irregularities.

