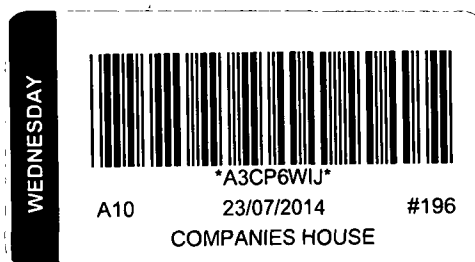


NHS Property Services Ltd

Annual Report and Accounts 2013 / 2014



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Introduction

NHS Property Services Ltd is a limited company wholly owned by the Secretary of State for Health. The Company was created to take that part of Primary Care Trusts and Strategic Health Authorities estate not transferring to National Health Service providers on 1 April 2013.

This is one of the biggest property portfolios in Europe, worth an estimated £3 billion.

NHS Property Services manages, maintains and improves NHS properties and facilities, working in partnership with the NHS to create safe, efficient, sustainable and modern healthcare and working environments.

As the first specialist property company for the health service in England, the company remit is to improve efficiency and release value from property to deliver real benefits for patients.

Our vision for the success of the Company is underpinned by our values:

- **Caring:** helping support the delivery of patient care.
- **Confident:** delivering what the NHS needs by enhancing the experience of patient who receive care in our facilities.
- **Challenging:** checking, questioning and examining to ensure the very highest standards of health, safety and quality.
- **Completing:** taking responsibility to deliver the very best service.

We are committed to achieving our strategic objectives by taking account of relationships with our staff, customers, tenants and other stakeholders, to ensure good financial management and being a good corporate citizen.

Chairman and Chief Executive Report

Welcome to the Annual Report and Accounts by NHS Property Services Ltd for the financial year 2013/14.

We are pleased to report a year of consolidation and progress, recognising the significant challenges of what we inherited, which are clear throughout this report.

We will cover the year in two parts – firstly the challenge of bringing together properties, services and staff from 161 predecessor NHS organisations and secondly, how we set about tackling these challenges and delivering benefit for NHS patients and our NHS colleagues.

Our Inheritance

NHS Property Services Ltd was formally launched on 1 April 2013 at which point we inherited approximately 10% of the NHS estate in England.

This comprised 3,722 properties from 161 predecessor organisations (Primary Care Trusts and Strategic Health Authorities). We also inherited:

- The many and varied working practices of former NHS organisations; over 100 building schemes approved by former Primary Care Trust or Strategic Health Authority Boards;
- Wide ranging quality within the asset base, ranging from a state-of-the-art health campus in London's Olympic Village, to derelict health clinics; properties that were fully utilised and efficient and some that had been empty for a number of years, yet still costing money in maintenance charges;
- Leases of varying quality and clarity, including many undocumented leases;
- Contracts for facilities management services that ranged hugely in price, quality and delivery; and
- Many talented staff providing great services but hindered by multiple layers of management slowing down decision making.

As is normal practice when launching a new company, the Department of Health provided the company with a loan to cover initial operational costs. This loan was crucial to our establishment. It allowed us firstly, to take a measured approach to ensuring new Clinical Commissioning Groups were not given bills they did not recognise. We ensured that they paid bills based on previous arrangements. It also allowed us to manage our finances and cash flow, given many of the new organisations were slow to pay their bills.

We were pleased with the outcome of the National Audit Office (NAO) Report that was published in May 2014. In our view this highlighted that the Company managed its set-up and early operations in the most appropriate way.

The NAO Report pointed out that in February 2014 the company was owed £204 million by tenants (53% of the billed amount) and £76 million by commissioners (26% of the billed amount, although huge progress has now been made to reduce these amounts.

services through national procurements. Services ranging from pest control to legal support were previously purchased in many different ways and rates by predecessor NHS organisations, creating inconsistency, waste and duplication that we are driving out, step by step.

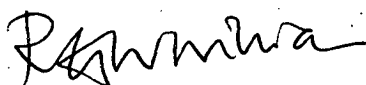
- We have led around 50 new developments for tenants and it is to the credit of our staff that in our first year we have already won a number of awards, details of which are covered in the Directors' Report.
- We have forged excellent relationships through our trade union partnership.
- We established a graduate trainee surveyor programme which attracted several hundred applicants, of whom eight were appointed in autumn 2013.

Bringing property expertise and commercial rigour to the NHS presents an unrivalled opportunity for innovative new joint ventures and partnerships that will grow the business and unlock new potential income for the NHS at a time when financial pressures have never been tougher.

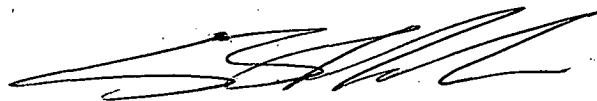
We know that our biggest improvement opportunities will develop over the next two years, as we make best use of our national scale and purchasing power. We have set ourselves a challenging target of 20% efficiencies over our first three years.

But it is not only about saving money. We are investing in quality and sustainability to do things consistently better and with a new awareness of our corporate social responsibilities as a property business and major employer.

We look forward to working with staff, with NHS colleagues and forging new business partnerships to deliver even greater progress in our second year and beyond.



Robin Williams
Chairman



Simon Holden
Chief Executive

The Company is reporting an operational loss, which is mainly due to funding of VAT and start-up costs through equity rather than charges to tenants or commissioners. More detail is covered in the Strategic Report.

The Company has also reported a one-off technical loss directly attributable to provisions that had to be made for financial issues inherited from Primary Care Trusts dissolved in April 2013. These exceptional and non-recurring items are largely caused by the Company taking on closing balance sheet values from dissolved Primary Care Trusts and Strategic Health Authorities, on 31 March 2013. This is fully explained in the Strategic Report.

One of the other biggest challenges we faced related to the TUPE transfer of 3,119 staff.

We recognised early on that our structures presented some inconsistencies around the country that we could not ignore. This led to a business redesign that clearly defines our two core roles – asset management and facilities management – and better meets the needs of our customers and tenants. The new structure is already reaping benefits, along with progressive system efficiencies that will transform the way we deliver for the future.

Achievements in Our First Year

We are pleased with our progress in stabilising cash flow, improving rental recovery, standardising and documenting leases and achieving value through the disposal of assets deemed surplus by the NHS.

There were a number of highlights during our first year of operations. These are outlined as follows:

- Between 1 April 2013 and 31 March 2014, NHS Property Services sold 44 surplus properties, all at or above market value, realising net capital receipts of £22.3 million.
- We successfully used auctions to sell assets, all at well above listed value, some of which had been on the market for up to four years.
- As at 31 March 2014, the company had exchanged contracts on the sale of a further 30 properties with an aggregate contracted sales price of £7.4 million. These will deliver an estimated saving of £2 million per year in running costs.
- As well as releasing cash for the NHS, surplus sites offer prospects for much-needed housing. As at 31 March 2014, we have released land that will allow for the construction of 605 housing units and aim to achieve a further 1,400 by 31 March 2015. For the coming year commissioners have already identified more than 100 properties that are due for disposal as these are no longer suitable to meet the needs of modern healthcare, or surplus to requirements as care delivery models change. These sales will release capital for reinvestment in the NHS and will save more than £9 million a year in the wasteful running costs of securing empty properties.
- We started the drive for efficiency savings, releasing a significant value back to the NHS for the benefit of patient services. For example, using our economy of scale, we saved costs by the single procurement of utilities such as gas and electricity and we are driving further savings and better quality

Strategic Report

Our Business

NHS Property Services Ltd was established as part of the Health Reforms and is wholly owned by the Secretary of State for Health.

The Company portfolio covers around 10% of the total NHS estate in England, with the rest owned by NHS Trusts, NHS Foundation Trusts and Community Health Trusts.

NHS Property Services was set up on 1 April 2013 to manage the assets of former Primary Care Trusts and Strategic Health Authorities. With over 4,000 properties, this is one of the biggest property portfolios in Europe, worth over £3 billion.

NHS Property Services manages, maintains and improves NHS properties and facilities, working in partnership with the NHS to create safe, efficient, sustainable and modern healthcare and working environments. We work closely with our sister company, Community Health Partnerships, which manages the LIFT estate.

NHS Property Services had, during the year, an average full-time equivalent workforce of 2,827 staff. Aside from staff working in the corporate teams, the majority of our staff work in our two main business areas:

- Strategic Estate and Asset Management – strategic planning of the estate, acting as landlord, modernising facilities, buying new facilities and selling facilities that NHS commissioners decide they no longer need
- Dedicated provider of support and facilities services, such as health and safety, maintenance, electrical, cleaning and catering

Our First Year of Operation

Setting up a company with staff and assets inherited from 161 former NHS organisations was a significant challenge and one we addressed with real purpose. Financial risks are included within the Directors' Report.

Forming an expert and professional company with a consistent approach to property management – operating nationally but with a local focus. This presented issues that the Company needed to address early on:

In our first year we committed to stability to support the widely reformed new health system and we are proud of all staff for the way they have responded with dedication and a drive to succeed.

However, we faced a situation with new organisations being slow to pay their bills and some delay in national clarity over charging tenants and VAT liabilities.

Normally a property owner would charge tenants enough to cover all operational expenses, but to provide the newly reformed NHS with stability, we agreed with the Department of Health to continue charging tenants in the same way as the previous owners. This meant that tenants would provide 60 per cent of the income needed to meet operating costs, with the remaining 40 per cent provided by commissioners.

2013/14, therefore, was a year of consolidation. It was also a year in which a great deal was achieved and importantly (in the context of our inheritance), we believe it represents an excellent first year that lays the foundations for the year ahead.

Our Strategy

This forthcoming year (2014/15) presents an equally challenging environment, where our focus will be on delivery and driving efficiency.

As a private limited company, 100% owned by the Secretary of State for Health, our work will continue to be guided by the explicit requirements of the Secretary of State, namely to deliver 20% efficiency over a three-year period; release land for 2,050 housing units; redesign our business; and demonstrate value for money.

As a business, our strategy and vision is to:

- Effectively balance commerciality with public service
- Own and develop an estate that supports the NHS in England and is recognised as a value adding asset
- Provide services that are valued by our customers
- Manage facilities using property industry recognised standards of excellence
- Stand-alone financially

These strategic requirements have shaped our five priorities for the year ahead, which are:

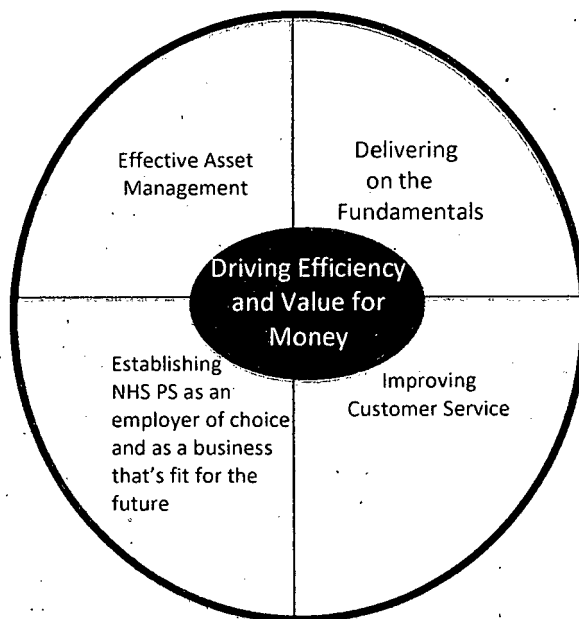
- Driving efficiency and value for money;
- Effective asset management;
- Delivering on the fundamentals;
- Improving customer service; and
- Establishing ourselves as an employer of choice, and as a business fit for the future.

It is worth drawing particular attention to our Efficiency Programme. This will be at the heart of all our work and on which the wider NHS system will measure the success of the company.

Our intention is to deliver tangible savings in 2014/15 of £43 million, and these savings will be passed back to our customers and tenants.

In focusing on efficiency, this must not, and will not, be to the detriment of patient care or the quality of service delivery.

FIVE PRIORITIES FOR 2014/15



While the year ahead will undoubtedly be a challenging one, it will also provide an opportunity to demonstrate the significant added value of NHS Property Services.

Improving Our Business

When we began operations, it was clear we had staff with many skills and talents, but there was also huge disparity in job titles, job grading and a lack of consistency in roles and responsibilities. There was also a lack of consistency in staffing levels, with certain areas being over resourced and others under-resourced. In certain localities we also faced up to 14 layers of management, which had the potential to hinder effective decision making.

For these reasons and more, we have embarked upon a redesign of our business.

The new structure enables NHS Property Services to:

- Professionalise how we manage our assets and our facilities management services;
- Bring real benefits for customers, commissioners and tenants, with a more dedicated customer approach, with named contacts for all tenants;
- Provide specialist expertise consistently across the country;
- Reduce management and agency costs; and
- Optimise a one-company approach – by consistent structures, job titles and job descriptions and reduced bureaucracy

Now that this is complete, the company will move to reviewing its use of agency staff, as well as the structure and staffing of the corporate centre Directorates, such as finance, procurement, HR and communications and business services.

Improving Our Business Performance

During 2013/14, NHS Property Services established and deployed a Performance and Standards Framework to help the company measure and manage its performance. Key aspects of the approach included:

- Performance reports to every Board meeting, providing an assessment of the progress the Company is making against its strategic objectives
- Monthly performance meetings organised by the national performance team with each regional management team in order to review performance, address any issues arising and identify good practice
- Monthly operational performance meetings chaired by the Chief Operating Officer, involving the Director of Asset Management and the four Regional Directors

The Performance Framework will be updated and revised for 2014/15 to reflect the new structure and working arrangements of the company. It will set in place a national approach to managing performance that focuses attention on the most critical aspects of business performance and promotes accountability, innovation, and the sharing of good practice.

During 2014/15 we will continue to work with external agencies and benchmark our performance against industry best practice.

The Main Risks Facing the Business

The Company has a comprehensive approach to risk. The Risk Register is presented to the Board for information and discussion, and highlights the following main risks that affect the organisation:

- Financial viability has been strengthened through a formal loan arrangement and additional share capital investment. However, there are real financial challenges, notably the repayment of the loan, the reduction in the number of debtors, the billing process, and clarity by the Department of Health on VAT repayment.
- The efficiency programme is ambitious but needs further work and detail.
- The service redesign programme will create a structure to enable the Company to deliver on its business objectives. The immediate challenges resulting from this include vacant posts and the potential increase in cost of redundancies.
- The disposal of vacant and surplus property continues at pace. A variety of methods has been used to increase sales to ensure we meet Shareholder expectations.
- A significant number of undocumented leases. This is an area of real priority as part of our Inherited Lease Programme.
- Information needs of the organisation are not sufficiently defined.
- Feedback from the Customer Board, letters from MPs and complaints highlight a real need to enhance our approach to customers and tenants. An approach is being developed.

Financial Outlook

NHS Property Services draws almost all its funding from NHS organisations. During the first year of operations we have worked closely with the Department of Health and NHS England to understand and develop the principles underpinning the recovery of costs incurred by the Company.

The operating environment that the Company works in is the same as that which faces the broader NHS service. The challenges are similar and the level of efficiency and realisation of savings is important for reinvestment into services and delivery of quality improvements. NHS Property Services therefore has a duty to minimise the cost of the NHS estate to those organisations using its facilities and passing any such savings back to the NHS. To support this work the Company has developed an efficiency programme.

The Company received a short term cash loan of £190 million on 2 April 2013 to ensure that it had sufficient cash to pay suppliers and staff prior to receiving any income from tenants. Additional working capital was provided during the year and this was consolidated into a flexible loan facility of £350 million. As part of the transfer arrangements, the Company inherited 26 Private Finance Initiative (PFI) funded buildings (22 PFI contracts) and 51 Finance Leases. Opening borrowings for PFI and Finance Leases are £474.7 million with £14.1 million repaid during 2013/14.

The Company monitors its cash flow on a daily basis and this supports the short-term cash loan repayment arrangements. The Company established a credit control function in December 2013 to oversee cash collection, query resolution and escalation of existing debt. Regular reporting to the Board on its cash and debtor position is undertaken so that the company can understand the risks and mitigation needed.

In its first full year of operations the Company has recorded a loss, after tax of, £159 million. The loss is substantially caused by non-operational items and the need to make increased provisions for financial issues inherited from the dissolution of Primary Care Trusts in April 2013. The increased provisions were driven from the adoption of 161 predecessor organisation closing balance sheet values on 31 March 2013. This was an inevitable aspect of Company set up, but it gave rise to a number of challenges, since there was variability across these organisations, in: accounting treatment; assessment of materiality; and in the approaches adopted by external auditors. It was incumbent on the Company to consolidate the different balance sheets and the variable approaches which underpinned these using clear and consistent accounting treatments.

In consequence, the Company needed to increase the provisions in the following areas:

- Balances for dilapidation provisions of £28 million were transferred to the company; some Primary Care Trusts had not created a provision even though one was required. Applying a provision of £108/m² to leasehold properties required the opening provision to be increased by £82 million.
- A similar situation related to onerous contracts requiring an increase in the provision of £21 million.
- £138 million of accounts receivable balances were inherited. The majority of these debts were resolved by cash receipts. However, £16 million of these balances appear to be uncollectable due to the age of the debt, indicating a historical dispute that had not been resolved by the predecessor organisation. The company considered it prudent to create a provision for these items. This represented an increase on the inherited provision from Primary Care Trusts of £9 million and was supported by the Department of Health.

A further exceptional cost arose from the need to create a redundancy provision of £10 million to fund termination costs arising from stage one of the business redesign process.

The Company agreed with the Shareholder that NHS Property Services would not recover certain costs from tenants and commissioners, such as the VAT burden caused by its creation and headquarters overheads. This position further contributed to the overall loss position.

In addition to the revenue position outlined above during 2013/14, NHS Property Services spent £55 million on capital schemes to improve and maintain the estate it inherited from the predecessor organisations.

NHS Property Services is targeting a five percent reduction in operating costs during 2014/15. As a national company, it is expected that economies of scale, more efficient asset utilisation, changes in contractual arrangements and procurement practice can support greater efficiencies. This cost reduction will enable the funds saved to be invested in patient care.

As a Limited Company, we need to account for Corporation Tax and Stamp Duty. These taxation costs will be minimised and funded by the Company as it develops as a commercial property investment company.

Financial Performance Indicators

The Board has developed key performance indicators over the course of the year and since November 2013 these have been regularly reported to the Board. At the end of the financial year the following indices reflect the Company's financial performance:

- a) Gross expenditure - the forecast outturn of £797 million. The final position was £951 million.
- b) Liquidity - the intention is to maintain an operational cash balance that equates to one month's cash in the bank at any given time, with the average cash required equating to approximately £60 million. The liquidity ratio at year-end was 2.3:1.
- c) Debt recovery - this indicator reflects the percentage of invoiced debt still outstanding 90 days after the date of invoice. The level was 30.6%, as at 31 March 2014.
- d) Freehold sales (£m) - income generated for reinvestment back into front line health services as a result of property sales. Net cash receipts for the year were £22.3 million.

Maximising Sustainability

NHS Property Services is committed to providing a quality healthcare estate and working in a manner that promotes environmental sustainability.

In January 2014 we joined with NHS England, Public Health England and the Local Government Association to develop the Sustainable Development Strategy – the first to cover the whole health and social care system. All participating organisations are committed to encouraging sustainable behaviours and to the adoption of more sustainable business processes. During 2014/15 we will each develop a national strategy that details measures and performance reviews.

One of the many benefits of working as one new company instead of the 161 different organisations we replaced is the ability to use our combined abilities to drive economies of scale and reduce environmental impact. As stewards of an estate worth £3 billion, we have a particular responsibility for the built environment, transport, waste, energy, procurement and much more. We will be driving down energy usage and associated costs for the benefit of our tenants, commissioners and the environment.

We will establish a baseline assessment of our overall energy usage and carbon footprint, and will work particularly closely with the Carbon Trust. Once the baseline is established, we will set stretching targets and improvement plans.

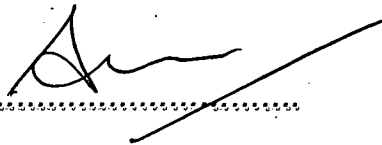
We will build on our work of 2013/14 to ensure sustainability considerations are at the forefront of our procurement activity. We will utilise best practice to drive down costs and make use of appropriate subsidies that maximise the use of existing technology and allow new technology to be adopted.

We have invested in a specialist national lead for corporate social responsibility and sustainability. There will also be enhanced roles for health and safety specialists regarding energy management and the environmental considerations of our work.

We will establish an Environmental Board focused on sustainability and energy usage. We envisage it will meet half yearly and include customer representatives. We will look at the potential for this to be an Investment Committee that considers applications for environmentally orientated initiatives.

The report was approved by the Board on 10 July 2014 and signed for and on behalf by:

Signature:



Andrew Millward
Director of Communications and Business Services

Governance and Risk Management

Governance

NHS Property Services Ltd is committed to achieving high standards of corporate governance and is accountable to the Shareholder in this respect. The Company is not required to comply with the UK Corporate Governance Code, September 2012 (the Code). The Board recognises, however, that this represents good practice and has developed processes during 2013/ 2014 to comply with the Code in so far as is practicable. We will be undertaking a voluntary review of our governance against the Code during the next financial year. The Company is part of the NHS family and seeks to balance good practice from both the NHS and commercial organisations operating in similar markets.

The Board

As at 31 March 2014 the Board comprised of the Shareholder Director, four Non-Executive Directors and six Executive Directors.

In October 2013 the Chairman asked to step down at the turn of the calendar year, having successfully steered the company through its setting up, launch and transition. Following an intense period of work, the Board agreed that the transition phase would be completed by the end of December 2013, six months earlier than predicted, followed by a two - three year period of transformation.

The duty of the Board is to act in good faith and in a way most likely to promote the success of the Company for the benefit of its members as a whole. As a unitary Board, all Directors are involved in, and responsible for the development of the Company's strategy. The Board has a formal schedule of matters reserved for the Shareholder and its decisions, which is included in the Corporate Governance Manual.

The Board meets regularly, with seven scheduled meetings having been held during the year, a further two ad hoc meetings and two development sessions. All members of the Board are supplied in advance with appropriate, clear and accurate information in a timely manner covering matters which are to be considered.

Board Membership is shown in the Remuneration Report.

Board Committees

The Board has established three Board Committees, details of which are shown below, to undertake its activities in these areas, operating under delegated authority from the Board. Terms of reference were approved by the Board in March 2013 and included in the Corporate Governance Manual.

The membership of the respective Committees during the year, which includes the Shareholder Director and his representatives in addition to Board Members, was as follows:

Representative	Audit and Governance	Assets and Investment	Remuneration
Douglas Blausten		Chairman	
Martin West	Chairman		√
Rachel Kentleton ⁽¹⁾	√	√	
Chris Kane	√	√	
Peter Coates ⁽²⁾			Chairman
Andrew Baigent ⁽³⁾	√		
Claire Hewitt ⁽³⁾		√	
This Table provides details of the Board Committee membership			
<small>(1) Assets and Investment Committee from 1 April 2013 to 31 December 2013 (2) Shareholder Director (3) Shareholder Director representative</small>			

Audit and Governance Committee

This Committee supports the Board and Shareholder by reviewing the comprehensiveness and reliability of assurances on governance, risk management, health and safety, the control environment and the integrity of financial statements and the annual report.

This Committee met eleven times during the year. Andrew Millward, Director of Communications and Business Services and Caroline Russell, Director of Finance and Planning / David Avis, Interim Director of Finance and Planning (from 20 January 2014), were in attendance, by invitation, to support Committee members. Other officers attended the meetings by invitation, to present papers and provide support. The internal and external auditors were invited to meetings throughout the year.

Assets and Investment Committee

This Committee supports the Board in the:

- management of the Company's estates portfolio; and
- delegated approval for property / land transactions up to £5 million.

This Committee met seven times during the year. Members of the Committee were supported by the Management Executive Team; Simon Holden, Chief Executive; Dennis Markey, Chief Operating Officer; Pam Chapman, Director of Asset Management; and Caroline Russell / David Avis, Director of Finance and Planning.

Remuneration Committee

This Committee has delegated authority to make recommendations to the Shareholder on all aspects of the performance, remuneration and terms of service of the Chief Executive and Directors. The Committee is also responsible for overseeing contractual arrangements for all staff and major changes in employee benefits.

This Committee met three times during the year. Simon Holden, Chief Executive and Alan Farmer, Director of Corporate Services, supported the Committee with advice as required.

Directors' Conflicts

The 2006 Companies Act provides that Directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with a company's interests. Any potential conflict of interest between the role of an officer working for the Department of Health and their role as either the Shareholder Director or his representative in the Company is registered and managed in an appropriate way.

We maintain a register, which is available for inspection, to ensure potential conflicts of interest can be identified and addressed in advance of Board and Board Committee discussions. Where potential conflicts exist, these are recorded in the Board or Board Committee minutes, along with any appropriate action taken to address them. All Board Members have completed and signed an in-year and year-end declaration of interest form. Full details can be found on the Company web site.

Directors' Immunities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity, which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Directors' and Officers' Liability Insurance

The Company has purchased insurance against Directors' and Officers' liability as permitted by the Companies Act 2006. The shareholder has granted rolling indemnity to the Chairman, Executive and Non-Executive Directors in relation to certain losses and liabilities which they may incur in the course of acting as officers of the Company.

Openness and Transparency

In the light of the findings of the Francis Report, we have, as a company, signed a pledge to learn the lessons from Mid Staffordshire and help to build better, safer care for every patient. In signing up to and applying these principles, we recognise that the safety, security, and cleanliness of the NHS estate are paramount to supporting effective patient care. This is one of the Company's strategic objectives.

Each of the Francis Report recommendations has been considered in relation to the activities of the company and these are seen as a trigger to facilitate change and support the cultural change of the business redesign process.

The Board has been kept up to date of progress in the implementation of over 50 actions arising from the review of recommendations. We are also represented on the national "Safer Care Working Group".

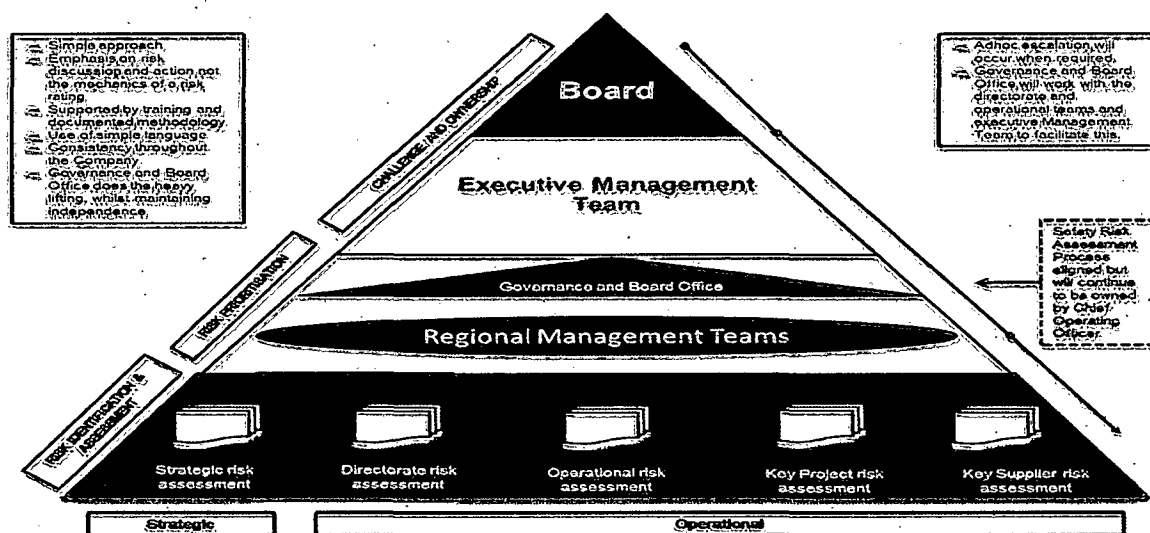
Risk Management

The Board has oversight of risk and approved the Risk Management Strategy and Policy in March 2013 and revisions to the document in November 2013. The Board monitors significant risks that may affect the achievement of its strategic objectives. To ensure that there is a clear link between the Board agenda and significant risks, these are linked within an overarching risk paper.

There are two elements to the risk management process: the focus and direction from the Board; and the broader strength of risk management awareness and action at an operational level. These are brought together in the evaluation of risks and are outlined in the risk management framework shown in the diagram below.

At an operational level, managers and staff review the level of control necessary to mitigate, where possible, the level of risk. An internal review of the risk maturity shows that the strategy and policies are in place and communicated throughout the Company.

Risk Management Framework



Key Risks

The risks and uncertainties described in the Strategic Report are considered to have the most significant effect on the business and future transformation of the company. This list is not intended to be exhaustive. Detailed risk management processes are in place to ensure that risks are identified and mitigated where possible. Many risks, however, remain outside of the Company's full control, for example changes in government policy and customer / tenant delivery of patient services. Key risks are outlined in the Strategic Report.

Processes will be enhanced in 2014/15 to ensure that risk management is objective driven and all staff are personally accountable for delivery and performance.

The financial impact of certain risks has been transferred through insurance arrangements. The company is a member of the NHS Litigation Authority risk pooling scheme that covers third party and employer liabilities, and property-related risk exposure.

Information Governance

The company takes very seriously its responsibilities for data protection and the rights of individuals. A number of information governance controls were introduced in 2013/14, including:

- Assignment of Senior Information Risk Owner and Caldicott Guardian accountabilities to Directors;
- Formation and management of an Information Governance Steering Group, reporting to the Audit and Governance Committee;
- Implementation of policies;
- Mandatory training;
- Process to ensure compliance with legislation such as the Data Protection Act;
- Implementation of an information security focussed IT infrastructure;
- Device encryption;
- Information incident reporting and investigation procedures;
- Registering as a data controller with the Information Commissioner's Office.

As a measure of assurance for partners, tenants and customers, the company elected to utilise the Health and Social Care Information Centre's information governance toolkit; a set of requirements used to assess information governance arrangements. The Company met level two, the required standard, in all but two areas, with the business redesign programme forecast to facilitate the improvements needed in those areas.

There were no significant reportable information incidents during the year.

Health and Safety Risks

Maintaining the health and safety of our staff and ensuring the provision of safe, secure and clean properties for our tenants, patients and visitors is a top priority for the Company. We endorse the main aims of the Health and Safety Executive 2012 - 2015 plan to:

- Improve health and safety in the workplace
- Ensure compliance with the law
- Reduce the likelihood of low-frequency high-impact catastrophic incidents.

NHS Property Services is making excellent progress towards ensuring that risk assessments and management plans are in place for all premises across the country. The Health and Safety Policy was approved by the Board in March 2013 and has recently been reviewed. A 2013/14 Health and Safety Action plan was in place during the year and this was monitored by the Audit and Governance Committee and the Board.

The company reached a corporate-wide average compliance of 93% by the end of the financial year for risk assessments and management plans for fire, asbestos, legionella, natural gas, electrical fixed installations and piped medical gases.

This tremendous achievement was due to the considerable efforts of all the staff who have been involved in ensuring compliance for our top six areas of health and safety risk management. This was achieved despite the complexities of identifying and taking control of the building risks for the inherited properties. This is an essential part of our business and we have invested a great deal of time and capital in assessing and managing our risks.

Maintaining the highest standards for health and safety is critical for all of our properties, underpinning our responsibility for protecting the staff, tenants and patients who occupy and use them. The challenge now is to continue to build on this and create a culture of safety that is shared by everyone, whatever their role.

In 2014/2015 we will review compliance of the next six priority health and safety risks of lifts, window restraints, pressure vessels, generators, radiators and workplace risk assessments.

Waste Management

NHS Property Services is registered on the Environment Agency's Waste (England and Wales) Regulations register as an Upper Tier Carrier Broker Dealer.

Internal Controls

The Board has responsibility for maintaining a sound system of internal control that supports the achievement of the Company's objectives. The Board has conducted an annual review of the effectiveness of the system of internal control, under the auspices of the Audit and Governance Committee. This included systems and controls in relation to financial reporting processes and preparing the accounts. The risk framework and internal controls system are designed to manage, but not to eliminate, the risk of failure to meet Company strategic objectives and, as such, only provide reasonable, not absolute, assurance against material misstatement or loss.

It is recognised that in the first year of operation the focus was on transitional activities to ensure that inherited operations continued. Much of the activity undertaken by management with respect to internal control focused on building suitable control environments within which to operate. It is therefore important to recognise that at such an early stage in the Company's development it is not expected that the operating control structure would be fully in place.

The Head of Internal Audit's Annual Report has provided an opinion of 'reasonable assurance' over the framework of risk management, governance and internal control for 2013/14. The internal audit plan has focused on the enhancement of systems and providing advice and support. Internal audit and progress update reports have been received during the course of the year.

The Committee monitors the effectiveness through the receipt of written and verbal reports from the Director of Communications and Business Services, Director of Finance and Planning, and the internal and external auditors on progress with internal control activities.

These reports included:

- Reviews of business processes and activities, including action plans to address any identified control weaknesses or recommendations for improvements to controls or processes.
- Management's own assessment of the strengths and weaknesses of the overall control environment and the action plans to address any weaknesses.
- The results of the internal audits.
- Internal control recommendations made by the external auditors.
- Discussion on how the internal auditors will track the follow-up actions from previous internal control recommendations.

The Committee confirms that it has kept a watching brief on issues such as:

- The cash position, debt management escalation and credit arrangements.
- IFRS and FReM implications.
- The use of waivers.
- Legacy financial arrangements, transfers and opening balances.
- Health and Safety compliance and action plan.

Control weaknesses were identified in the purchase ordering, expenses and procurement card systems. Key system weaknesses to be addressed are:

- The lack of oversight for corporate cards, primarily due to a lack of management information available. Whilst the cards were used in accordance with the current policy, card holders put through a combination of expenses, business incidentals, and purchases that could have gone through the purchase ordering route.
- The travel and expenses policy has not yet been finalised and this has resulted in inconsistencies in the authorisation of payments. Issues identified were of a minor nature and low value.
- The purchase ordering system is being bypassed, due to the time taken to process orders. This has resulted in a large number of waivers.

The National Audit Office has undertaken a review of the company set-up and early operations. The Directors consider that the report gave the Company a clean bill of health. The report covered:

- How the company was set up as part of the Health Reform.
- Governance arrangements and the shareholder function.
- How the Board was appointed.
- The funding structure.
- The Company's objectives and processes for disposing of assets.

Key findings are those already reported within the Strategic Report, but in particular:

- financial support, in the way of a start-up and short term loans to cover operational expenditure.
- to make operational (annual) savings of at least £57 million; and to release land for housing to contribute to the government's target of 100,000 new homes by March 2015.

During the year there has been a session in each region on creating an anti-fraud culture and a proactive approach to communicating a zero-tolerance approach to fraud. The Local Counter Fraud Specialist has undertaken a number of investigations during the year, and we are pleased to report that there is no evidence that material fraud has taken place. It should be noted that following these investigations some low value recovery of monies has taken place.

The internal control regime is supported by the operation of a raising concerns / whistleblowing policy and a confidential reporting line function. The system allows employees to report concerns anonymously and in confidence. We participated in the National Audit Office review of whistleblowing policies and our policy has been reviewed following the recent publication of this national report.

Whilst it is acknowledged that internal control systems were being developed during the year the key governance and risk management processes were established at the start of the year. Work is being undertaken to review governance, one year on, and further enhance the control systems during 2014/15.

The report was approved by the Board on 10 July 2014 and signed for and on behalf by:

Signature: 

Andrew Millward
Director of Communications and Business Services

Directors' Report, Remuneration Report and Financial Statements

Directors' Report for the Period 1 April 2013 to 31 March 2014

The Directors present their Directors' Report and financial statements for the period ended 31 March 2014.

General Information

NHS Property Services Ltd was established as part of the Health Reforms and is wholly owned by the Secretary of State for Health. NHS Property Services Limited is a company incorporated in England and Wales. The registered office is 451C Skipton House, 80 London Road, London, SE1 6LH.

The nature of the company's operations and its principal activities are set out below in the Directors' Report.

Principal Activities

NHS Property Services was set up on 1 April 2013 to manage the assets of the former Primary Care Trusts and Strategic Health Authorities. This is one of the biggest property portfolios in Europe, worth an estimated £3 billion. The company portfolio covers around 10% of the total NHS estate in England, with the rest owned by NHS Trusts, NHS Foundation Trusts and community health trusts.

NHS Property Services manages, maintains and improves NHS properties and facilities, working in partnership with the NHS to create safe, efficient, sustainable and modern healthcare and working environments. The company is a landlord, estates manager and service provider, working closely with NHS England and Clinical Commissioning Groups, along with our sister company Community Health Partnerships, which manages the LIFT estate.

Business Review

The company manages and provides services, to approximately 4,000 buildings, including 26 PFI funded buildings and circa 300 Local Improvement Finance Trust (LIFT) head leases held by Community Health Partnerships.

NHS Property Services has two main roles:

- Asset management – as a strategic estates manager acting as a landlord, modernising facilities, buying new facilities and selling facilities the NHS no longer needs.
- Facilities management - as a dedicated provider of support services such as cleaning and catering.

The company does not enter into any research or development activities.

At a time of unprecedented change and economic pressure, the creation of a purpose-designed function focused on facilities management and asset management allows the NHS to focus on its core business without distraction. The added advantage is to have a professional service dedicated to the estate, which is also capable of delivering significant change and efficiency.

The operational business plan focused on establishing NHS Property Services as a credible commercial entity while delivering a quality service to the NHS. A key part of this has been merging the predecessor operational estates models into a single organisation with a coherent identity. During the year the company has established a comprehensive understanding of how its estate is occupied, by whom, its condition and how much it costs to run.

The strategic objectives developed for this period reflect the transitional nature of the company. They are to:

- Maintain continuity of service and keep NHS buildings safe, warm and clean.
- Use scale and effective management to keep costs to a minimum and pass back savings to the NHS.
- Place patients and the taxpayer at the heart of the business by supporting the NHS and public sector to transform services.
- Establish a truly national entity with a single corporate identity and consistent approach.
- Ensure the estate is well managed sustainably and supports wider Government initiatives.
- Be recognised as an employer of choice.

As the first specialist property company for the health service in England, the company remit is to improve efficiency and release value from property to deliver real benefits for patients. These objectives cut through everything the Company does and underpins the operating objectives that were set, which are:

- Smarter working
- Implementing a disposals strategy
- Ensuring health and safety is effectively managed
- Improving contract management, purchasing and procurement

The Strategic Report includes details of the business redesign, operational business plans for 2014/2015 and future developments for the Company.

Shares

The Department of Health invested £15 million by way of share capital into the Company to assist in the set-up and provide some working capital. A further allotment of £125 million in shares was issued in April 2013 to support the capital programme.

In January 2014 a further allotment of £33 million shares was made. The equity was provided to support the additional VAT burden and start-up costs that were not passed on to tenants and commissioners.

The total 100% allocation of £1 shares to the Secretary of State for Health, as at 31 March 2014, is £173 million.

The accounts that follow outline the resources expended up to 31 March 2014.

Proposed Dividend

No dividend is to be paid in this financial year.

Financial Risk

Credit Risk

The Company's cash assets are held within the Government Banking service only. As the Company does not hold investments other than necessary cash, the Company is not exposed to significant credit risk in this regard.

The Company's trade receivables are with a large number of customers spread across various geographical areas. Government-funded entities, NHS England and Clinical Commissioning Groups (CCGs) make up a significant portion of the Company's receivables.

The Company has inherited significant operational risks, which include a number of properties with undocumented leases. This has led to the Company applying critical judgements in relation to the revenue charged to its tenants and an ageing trade receivables balance.

As a result, the Company has recognised a provision for impairment of trade receivables for all inherited legacy receivables balance and certain receivables balances generated in year. The Company is also currently in the process of implementing credit vetting processes for new tenants and guarantors.

No collateral or other credit enhancements are held for financial instruments that give rise to credit risk.

Liquidity Risk

The Company mostly manages liquidity risk by continuously monitoring forecast, cash flow requirements and management of the working capital loan with the Department of Health. Loan details are covered in the "Our Inheritance" and "Financial Outlook" sections of this report.

Market Risk

In the view of the Directors, the carrying value of land and buildings did not differ materially from fair value at the balance sheet date, so a formal revaluation was not required. The Directors have formed this view taking into account the following:

- a) The Company holds assets for disposal at market value, and all other assets either at depreciated replacement cost or existing use valuation. Prior to the transfer of assets on 1 April 2013, most legacy organisations revalued their land and buildings. The Company has taken assurance that the asset values, taken into the accounts from 1 April 2013, are a fair reflection of the value at that date.
- b) The Company's approach on revaluation of its property portfolio is to adopt a three-year rolling programme whereby the entire portfolio is revalued within a three-year window.

- c) In order to obtain assurance that the carrying values as at 31 March 2014 were not materially misstated, the Company calculated indexation on its properties. The indices used were the BCIS Resource Cost Indices as the most relevant industry recognised standards. These calculations revealed that there was no material change in the property values when indexation was applied.
- d) Where properties have been disposed in-year, the value of the receipts has not been materially different to the carrying value.

The Company considers that the approach and assumptions taken during this year are sufficiently robust to minimise the level of financial risk being managed through the property portfolio. The Company has undertaken to revalue its estate over the remaining two years of the three-year rolling programme.

Cash Flow Risk

Other than cash balance, the Company's financial assets and liabilities are carried at fixed rates of interest and its operating cash flows are consequently independent of changes in market interest rates.

Directors

Company directorships and other significant interests held by Board Members, which may conflict with their management responsibilities, are published on the NHS Property Services website www.property.nhs.uk. The register is updated as and when members advise the Company Secretary of any changes in their circumstances. A positive signed declaration is made each financial year. A full list of declarations can be found at the end of this Directors' Report.

Full detail of Directors' salaries, benefits in kind and pensions are shown in the Remuneration Report. The details of Directors who held office during the period are as follows:

Executive Directors

Executive Director appointments are included with the Remuneration Report. All Executive Directors are employees of NHS Property Services, with the exception of the Director of Asset Management who is seconded from the Department of Health.

The Chief Operating Officer, Dennis Markey was appointed on 22 July 2013.

The Remuneration Committee decided to create an additional role of Director of Strategy in June 2013. The post is filled on a consultancy basis and details are included in the Remuneration Report. Whilst this Director attends Board meetings, he is not a Board Member and holds no vote.

The Director of Finance and Planning, Caroline Russell resigned as a Director on 17 January 2014 as she took up a seconded post at Mid Essex Clinical Commissioning Group on 1 January 2014.

Non-Executive Directors

Charles Howeson was the Company's first Chairman and he left the company on 31 December 2013. He considered that, having steered the company through its initial set up, launch and transition, it would best suit the Company's strategic needs going forward for a replacement to be recruited who could lead the company throughout the next phase of its development.

Peter Coates was Shareholder Director for the full year and Ben Masterson provided annual leave cover, in August 2013, as Alternate Director. Details of appointment and resignation dates are shown in the Remuneration Report. Neither the Shareholder Director nor the Alternate Director received any remuneration for their roles.

Douglas Blausten, Chris Kane, Rachel Kentleton and Martin West were all appointed as Non-Executive Directors on 26 March 2013. Rachel Kentleton took unpaid leave between 1 January 2014 and 28 February 2014.

Terms of office are described within the Remuneration Report.

Robin Williams was appointed as Chairman on 1 April 2014. During the intervening period between 1 January 2014 and 31 March 2014, the Vice Chairman Douglas Blausten was Acting Chair for the company.

Pension

Pension policy and payments is included in the Remuneration Report and in note 13 to the accounts.

Our Staff

NHS Property Services is a national company with a strong local focus, organised in four regions – London, Midlands & East, North and South.

The creation of the Company on 1 April 2013 brought together more than 3,119 staff. As a successor body, we are required to recognise the implications of TUPE for the majority of our staff, as this was the method by which staff transferred into the Company. Any new staff have been employed on company terms and conditions of service which broadly mirror the NHS terms under Agenda for Change.

During the financial year the Company has used a combination of employed staff, and consultants / interim staff retained under short-term contracts. We have developed policies for work experience, graduate placements and apprenticeships.

Diversity of Roles and Structures – Redesigning Our Business

One of the challenges we have faced in our first year has been the diversity of roles and structures we inherited. This includes:

- Inconsistency in the structures across the regions.
- Inconsistency in inherited job titles and job descriptions.

- Many staff 'lifted and shifted' from predecessor health organisations on the basis of a partial fit with a role in NHS Property Services.
- Resource imbalances, with excess resources in some areas and shortfalls in others, especially for certain types of specialist professional and technical roles.

To address these issues and to enable the company to maximise the benefits it delivers to the NHS, a business redesign programme has been implemented, initially, of our senior operational management functions. This included a staff consultation which took place between January and March 2014. As a result and taking account of the feedback received from staff, we adopted a revised structure to strengthen our professional specialism and commercialisation across two core business work streams of asset and facilities management.

Putting Our Staff First

One of our six strategic objectives is to be an employer of choice and we aim to attract, develop and retain the highest calibre of staff across all functions, whatever their role and wherever they work. To support this, the company has introduced an organisational development programme under the overarching "Putting You First" programme. This includes four strands:

- Your Potential – development programme
- Recognising You – diamond recognition and reward scheme
- Your Say – staff engagement programme
- Your Wellbeing – staff health and wellbeing scheme

A range of activities have been carried out to engage the views of staff, including organisational development workshops, roadshows hosted by the Chief Executive, Executive and Regional Directors and interactive workshops, as well as a staff engagement survey held in March 2014. Together, these have provided opportunities for staff to find out more about NHS Property Services and put forward suggestions, which will help shape the company's workforce strategy.

The Communications Team provides information on issues or matters of interest to all employees, through:

- Weekly "Update."
- Monthly "Landscape."
- Bi-monthly "Board summary."
- Dedicated area on the Company's website.
- Summary Board minutes are also posted on the public facing website.
- A national partnership forum, supported by regional partnership forums, with our four recognised trade unions.
- A new team briefing process will be launched in 2014/15 to encourage active engagement of leaders and staff.

Union Partnership

Underpinning the Company's support and consultation with staff, NHS Property Services works closely with its union partners; GMB, MiP, Unison and Unite. There are regular meetings of the national and regional partnership forums. These forums actively seek views and consult with staff on company issues and policies associated with people management.

We have jointly signed a Union Learning Agreement with national union representatives to promote training and development across the Company. The Union Learning Agreement was the first joint agreement of its kind involving a national NHS organisation, and will benefit all NHS Property Services staff, whether or not they are union members.

Linked to the Company's workforce strategy, the Union Learning Agreement will feed into individual appraisals, objective setting and personal development plans. This is focused on building core skills such as literacy, common numeracy and English for speakers of other languages (ESOL).

Training and Development

NHS Property Services recognises its legal, moral and ethical responsibilities to ensure that all staff are adequately trained to fulfil the requirements of their job and support the delivery of NHS services. We have developed a staff training plan to ensure that mandatory training for different staff groups can be undertaken as effectively as possible. Online e-learning supports this process.

During the year we piloted a paper-based appraisal system and this was used to inform the on-line system that will be used in 2014/15. All staff will have personal development plans, access to appropriate training for their jobs and the support of line management to succeed.

In early 2014 we started the initial self-assessment against the Investors in People standards. Any gaps will be identified and an action plan developed in order to achieve the IIP Bronze standard as a starting point.

NHS Property Services is an approved APC Training Provider, and, as such, adheres to principles and guidelines outlined by the Royal Institution of Chartered Surveyors (RICS). The Company runs a RICS graduate scheme, the first cohort of eight graduates started in autumn 2013. The RICS has accredited this exciting graduate training scheme, which provides the foundation for creating a culture of internal development and succession planning. Over the duration of the two-year rotation scheme graduates spend six months with four different teams, benefiting from 400 days of relevant practical experience and 96 hours of professional development.

Staff successes

The Company has achieved a number of successes through the hard work, diligence and dedication of its staff. Amongst other recognition, the following has been achieved:

- NHS Property Services staff scooped several top prizes in this year's Health Estates Facilities Management Association (HefmA) Awards.

Sickness Absence Data

Sickness absence for 2013/14 was 4.1% against a target of 3%. This figure excludes April 2013, due to high volumes of data cleansing following the transfer of staff from the predecessor organisations. The regional performance ranges from 4.0% (London) to 4.4% (South). The national directorate has a far lower sickness absence rate of just 0.7%.

Political and Charitable Contributions

No political or charitable contributions were made by the Company. No contributions were made to any non-EU political party by the Company.

Information Governance

The Company takes very seriously its responsibilities for data protection and the rights of individuals. As a measure of assurance for partners, tenants and customers, the Company elected to utilise the Health and Social Care Information Centre's information governance toolkit; a set of requirements used to assess information governance arrangements. The Company met level two, the required standard, in all but two areas, with the business redesign programme forecast to facilitate the improvements needed in those areas.

There were no significant reportable information incidents during the year.

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The National Audit Office has not undertaken any non-audit work for the company.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the Auditor appointed is the Comptroller and Auditor General.

The report was approved by the Board on 10 July 2014 and signed for and on behalf by:

Signature:

Simon Holden
Chief Executive

451C Skipton House
80 London Road
London SE1 6LH

- A ward hostess at Queen Mary's Hospital Roehampton in south west London, has been given a special award to celebrate her outstanding service to patients.
- A joint NHS Property Services and Community Health Partnerships team won the Client of the Year Award in the Building Better Healthcare Awards.
- The Manchester Facilities Team were finalists for one of the top awards in the prestigious British Institute of Facilities Management (BIFM) 2013 awards.
- The Greater Manchester Facilities Team also took home the award for Training Initiative of the Year, for an in-house training package for domestic staff.
- A Manchester and Stockport domestic team has achieved 100% compliance with the British Standards Institution (BSI) ISO 14001 accreditation for environmental management.
- The re-modelling of Queensway Health Centre in Hatfield won NHS Property Services a runner-up commendation in the Building Futures Awards 2013.
- St Benedict's Hospice and Specialist Centre for Palliative Care won the North East Constructing Excellence Project of the Year Award.
- Cranleigh Health Centre in Surrey was named Healthcare Project of the Year at the 2014 Timber in Construction Awards along with a number of other awards.
- A once-dilapidated area of Liverpool has now been honoured with a regional regeneration award
- Kent and Medway surgeries scheme wins national training award.

Equality and Diversity

Equality and Diversity is integral to the work of the Company and is woven into policies, procedures and programmes. The Company's Health and Wellbeing Strategy was published on 29 August 2013 and summarises our commitment to staff.

The Company maintains a policy of employing the best candidates available in every position, regardless of gender, ethnic group or background. This includes equality recruitment and ongoing promotion possibilities in the Company. Our approach to supporting staff with disabilities, in particular with respect to recruitment and training has been recognised with the Positive about Disability "Two Ticks" accreditation.

The Company will offer individual support to staff who become disabled during the course of their employment and where appropriate offer opportunities for retraining and redeployment.

Our "Your Wellbeing" benefits for staff include an employee assistance programme offering access to occupational health services, free counselling, childcare vouchers and a cycle to work scheme.

Remuneration Report

Remuneration Policy

The Articles of Association state that the Secretary of State must approve all appointments to the Board. Boards typically consist of Executive Directors, who manage the day-to-day running of the business, and Non-Executive Directors, whose role includes providing independent challenge to the Executive Directors.

The Parliamentary Under-Secretary of State for Health approved the appointment of three of the Non-Executive Directors, and the Department's Permanent Secretary and Director General for Finance and NHS approved the fourth. The Department ran an open competition for these posts, which included placing an advert in *The Times*. A firm of recruitment consultants oversaw the appointment process. The remuneration for these Board Members was set on appointment by the Department.

The remuneration and terms and conditions of service of the Chairman and Non-Executive Directors are determined by the Shareholder taking into account relevant market data, including benchmarking against other similar positions.

As a limited company NHS Property Services is not bound by NHS pay scales. The articles of association reserve the remuneration approval of all Directors and employees earning more than £100,000 per year to the Secretary of State for Health. This is managed through the Shareholder Director who was the Chairman of the Remuneration Committee.

Executive salary surveys and periodic assessments are conducted by independent remuneration consultants. Affordability is also taken into account in determining pay uplifts for Directors. Salary awards and terms and conditions applying to other NHS staff groups were applied in-year to all staff. The Company is currently developing a remuneration and reward policy for all staff.

Remuneration Committee

The Remuneration Committee met three times during the financial year. The Shareholder Director chairs each meeting and the Chairman of the Audit and Governance Committee is a member. Both officers attended all three meetings.

The Chief Executive and Director of Corporate Services attend meetings to provide advice to members. These officers are not present for any discussions about their own remuneration or terms and conditions of service.

Remuneration for the Company's most senior managers (that is the Chief Executive and Directors accountable to him) is established by the Remuneration Committee.

Service Contracts

Unless otherwise stated below, members of the Board hold appointments that are open ended. Early termination, other than for misconduct, would result in the individual receiving compensation and this requires Shareholder approval, as set out in the Treasury Management Guidance and the Company's Standing Financial Instructions. There has been no early termination of contracts or subsequent compensation payments during this financial year.

The majority of staff TUPE transferred to NHS Property Services on 1 April 2013, under their existing Agenda for Change terms and conditions of employment. Staff being employed on a permanent basis with contract terms that vary depending on the role. Staff, newly appointed, post 1 April 2013, have been employed on Company terms and conditions of service which broadly mirror the NHS terms under Agenda for Change.

The Company seeks advice from the Department of Health pay policy team. It is clear that we would be expected to implement the pay award decisions as set out by the Secretary of State.

This Remuneration Report covers the members on the NHS Property Services Ltd Board. The following elements of the Remuneration Report are subject to audit:

- a. Salaries (including performance pay) and allowances.
- b. Compensation for loss of office.
- c. Non-cash benefits.
- d. Pension increases and values.
- e. Cash Equivalent Transfer Values (CETV) and increases.
- f. Amounts payable to third parties for the services of senior managers.

Non-Executive Directors

Charles Howeson's contract, as the Company's first Chairman, was for an initial period of two years. Robin Williams' contract, the Company Chairman appointed on 1 April 2014 is for a period of three years.

The Non-Executive Director appointments, with the exception of the Shareholder Director, are for an initial period of 13 months, with the option to extend by a further six months. This option has been effected.

The relationship is that of office-holder and not one of employment.

Either party may terminate the contract for any reason before the expiry of the fixed period by giving three months' notice in writing. There is no provision for compensation for early termination.

Non-Executive Directors' fees are not pensionable.

Members of the Board and Directors

The following Table 1 details the dates of appointment, and where appropriate, departure, of two Board Members with one resignation and one secondment.

Individual	Job Title	Date of Appointment to Departure	Notice Period (1) (2)	Employing Authority (if not NHS Property Services Ltd) / Comments
Charles Howeson	Chairman	1 July 2012 – 31 December 2013	2 months	
Robin Williams	Chairman	1 April 2014	3 months	
Richard Douglas	Shareholder Director	15 May 2014	n/a	Department of Health
Peter Coates	Shareholder Director	20 December 2011 – 14 May 2014	n/a	Department of Health
Ben Masterson	Alternate Shareholder Director from 16 to 28 August 2013	20 December 2011 – 19 September 2012	n/a	Department of Health
Douglas Blausten	Non-Executive Director and Vice Chairman (Acting Chairman from 1 January 2014 to 31 March 2014)	26 March 2013	3 months	
Martin West	Non-Executive Director and Chairman of the Audit and Governance Committee	26 March 2013	3 months	
Rachel Kentleton	Non-Executive Director	26 March 2013	3 months	
Chris Kane	Non-Executive Director	26 March 2013	3 months	
Simon Holden	Chief Executive Director of Finance cover	1 September 2012 18 January 2014 – 19 January 2014	C - 6 months D - 3 months	Initially seconded to 31 March 2013 from NHS Central and Eastern Cheshire
Andrew Millward	Director of Communications and Business Services	1 October 2012	C - 6 months D - 3 months	Initially seconded to 31 March 2013 from NHS South West
Alan Farmer	Director of Corporate Services	1 October 2012	C - 6 months D - 3 months	Initially seconded from NHS Hertfordshire
Dennis Markey	Chief Operating Officer	22 July 2013	C - 6 months D - 3 months	
Pamela Chapman	Director of Asset Management	19 September 2012	Department of Health Contract C - 6 months D - 3 months	Department of Health
Caroline Russell	Director of Finance and Planning	19 September 2012 - 17 January 2014	C - 6 months D - 3 months	Initially seconded from Community Health Partnerships Ltd to 31 March 2013. From 17 January 2014 seconded to Mid Essex CCG
David Avis	Interim Director of Finance	20 January 2014	1 month	
Tim Kempster	Director of Strategy (non-voting)	1 August 2013	2 months	Consultancy Contract end date 31 July 2014
<p>Table 1 shows the details of Directors' contracts</p> <p>(1) C - relates to the notice period that the Company is required to give the Directors</p> <p>(2) D - relates to the notice period that the Director is required to give the Company</p> <p>Where the above is not shown then the notice in writing is the same for either party</p>				

Remuneration of Board Members

The NHS Business Services Authority (the Authority) conducted a national process to decide the appropriate pay for all new roles which were created as part of the health system reforms, including those on the Service's board. The Authority treated NHS Property Services as if it were an Arm's-Length Body, with the only difference that the Department of Health's Remuneration Committee was not required to

approve the Company's pay rates. The company used this information to determine the pay rates. In addition those Directors who transferred from the NHS did so on their previous pay rates.

The Company's Remuneration Committee decided to create an additional role of Director of Strategy in June 2013, after the Authority's process to set pay rates had been completed. At the time of our work, the Director of Strategy was employed on a consultancy basis, at a daily rate of £700, the equivalent of £154,000 per year. His contract expires on 31 July 2014. Whilst this Director attends Board meetings, he is not a voting member.

For the financial year 2013/14 there was no uplift in basic pay for Directors.

For the financial year 2013/14 NHS Property Services Ltd did not make any performance-related payments. The Director seconded from the Department of Health received a small bonus of £630.

Table 2 below provides details of remuneration interests of Board Members.

Median Earnings

Reporting bodies are required to disclose the relationship between the remuneration of the most highly paid individual in their organisation and the median earnings of the organisation's workforce. The total remuneration of the most highly paid individual in NHS Property Services Ltd in the financial year 2013/14 was in the banding £145,000 - £150,000. This was 7.6 times the median salary of the workforce, which was £19,268.

Total remuneration includes salary, non-consolidated performance-related pay, and benefits in-kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions. The company is unable to disclose comparative figures as it did not have any staff on the payroll prior to 1 April 2013.

The calculation of the median does not include agency workers or other non-permanent workers.

Salary

Salary includes gross salary; overtime; reserved rights to London Weighting or London allowances and any other allowance to the extent that it is subject to UK taxation. It is noted that employees of the Company do not receive performance pay or non-consolidated performance pay.

Benefits in Kind

The monetary value of benefits in kind covers any payments or other benefits provided by the company which are treated by HM Revenue & Customs as taxable emolument.

The types of benefit in kind relate to lease car, mileage for lease-car users that are paid over the HMRC advisory fuel rates, fuel benefit charge (lease-car users who have been reimbursed for excess mileage), relocation packages over £8k, bridging loans (will include weekly to monthly transfers), and any other types of loan (excluding overpayments).

Details of benefits in kind paid to Board Members are included in Table 2.

The following table provides details of the remuneration and pension of Board Members. The information in Tables 2, 3 and 4 has been subject to audit.

Name	2013/14				2012/13			
	Salary (3) (5)	Benefits in kind (4)	Pension benefits (2) (15)	Total Remuneration (14)	Salary (3) (5)	Benefits in kind (4)	Pension benefits (2) (15)	Total Remuneration (16)
	£'000	£	£'000	£'000	£'000	£	£'000	£'000
	(Bands of £5,000)			(Bands of £5,000)	(Bands of £5,000)			(Bands of £5,000)
Shareholder Director								
Peter Coates	The Shareholder Director and the Alternate Director are both officers of the Department of Health and receive no remuneration from NHS Property Services Ltd. There were also no recharges.							
Ben Masterson								
Non-Executive Directors								
Charles Howeson (8)	35 - 40	Nil	n/a	35 - 40	35 - 40	Nil	n/a	35 - 40
Douglas Blausten (12)	30 - 35	Nil	n/a	30 - 35	0 - 5	Nil	n/a	0 - 5
Martin West	20 - 25	Nil	n/a	20 - 25	0 - 5	Nil	n/a	0 - 5
Chris Kane	10 - 15	Nil	n/a	10 - 15	0 - 5	Nil	n/a	0 - 5
Rachel Kentleton (6)	10 - 15	Nil	n/a	10 - 15	0 - 5	Nil	n/a	0 - 5
Executive Directors								
Simon Holden (15)	140 - 145	6,100	119	265 - 270	105 - 110	Nil	n/a	110 - 115
Dennis Markey (7)	90 - 95	7,000	n/a	95 - 100	Nil	Nil	n/a	Nil
Alan Farmer (15)	90 - 95	Nil	35	125 - 130	30 - 35	Nil	n/a	30 - 35
Pamela Chapman (1)	75 - 80	Nil	19	95 - 100	65 - 70	Nil	n/a	65 - 70
Caroline Russell (9)	95 - 100	Nil	n/a	95 - 100	105 - 110	Nil	n/a	105 - 110
David Avis (10)	55 - 60	Nil	n/a	55 - 60	Nil	Nil	n/a	Nil
Andrew Millward (13) (15)	130 - 135	5,200	27	160 - 165	Nil	Nil	n/a	Nil
Tim Kempster (11)	110 - 115	Nil	n/a	110 - 115	Nil	Nil	n/a	Nil
Highest earners					Highest earners			
Total remuneration (£)		£145,000 - £150,000			Total remuneration (£)		The Company is unable to disclose comparative figures as it did not have any staff on payroll prior to 1 April 2013.	
Median Total					Median Total			
Remuneration (£)		£19,268			Remuneration (£)			
Ratio		7.6			Ratio			

Table 2 – Directors remuneration 2013/14 compared with 2012/13

(1) This individual was seconded into the company from the Department of Health and was paid by their employing authority. This individual was paid a bonus of £630 and this value has been added to the total remuneration. The Company reimburses the employing authority on invoices received.

(2) NHS Property Services Ltd did not pay performance related pay or bonuses to its directly employed staff.

(3) Details of start and end dates for those not serving the full term can be found in Table 1 above.

(4) Benefits are noted to the nearest £100.

(5) No payments for compensation on early retirement or the loss of office (paid or --receivable) to Board Members or former Board Members have been made during this financial year.

(6) Unpaid leave from 1 January 2014 to 28 February 2014: w.t.e. £10,000 - £15,000.

(7) Pro rata – contract commenced on 22 July 2013: the w.t.e. salary is £135,000 - £140,000 with pension benefit of between £5,000 - £10,000

(8) Pro rata – resigned 31 December 2013: the w.t.e. salary is £50,000 - £55,000.

(9) Pro rata – seconded from 1 January 2014 to Mid Essex Clinical Commissioning Group: the w.t.e. salary is £125,000 - £130,000.

(10) Pro rata – contractor from 20 January 2014: w.t.e. £250,000 - £255,000 (based on 220 days per annum).

(11) Pro rata – contractor from 1 August 2013: w.t.e. £150,000 - £155,000 (based on 220 days per annum)

(12) Douglas Blausten received additional remuneration from 1 January 2014-31 March 2014 for role as Acting Chairman: w.t.e. is £20,000 - £25,000.

(13) Andrew Millward's salary was not recharged to the Company by the SHA. His remuneration details were fully disclosed in the 2012/13 annual report of the South West Strategic Health Authority.

(14) Pension contributions and value of pension benefits are shown in Tables 3, 4 and 5.

(15) In October 2013 there was an amendment to the Companies Act which requires the value of pension benefits accrued during the year to the effect of inflating the total remuneration figure compared with salary. The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum, less contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

(16) Total remuneration in 2012/13 relates to invoiced values for seconded staff. There were no staff on the payroll until 1 April 2013.

Pension

NHS Pension Scheme

Pension benefits are provided through the NHS Pension Scheme for all employees who TUPE transferred across to NHS Property Services. Table 3 below provides details of the pension interests of Board Members in the NHS Pension Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions.

The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the scheme is subject to a full actuarial valuation every four years. Full details of this are included in the notes to the accounts.

Name	Accrued pension at age 60 at 31 March 2014 £'000	Accrued lump sum at age 60 at 31 March 2014 £'000	Real increase in annual pension £'000	Real increase in lump sum £'000	CETV at 31 March 2014 £'000	CETV at 31 March 2013 £'000	Real increase in CETV £'000
Simon Holden	54	161	6	18	911	786	125
Alan Farmer	35	106	2	7	668	605	64
Andrew Millward	35	104	2	5	628	582	46

Table 3 shows the pension details relating to Board Members who are in the NHS Pension Scheme

Classic Civil Service Pension Scheme

Name	Accrued pension at age 60 at 31 March 2014 £'000	Accrued lump sum at age 60 at 31 March 2014 £'000	Real increase in annual pension £'000	Real increase in lump sum £'000	CETV at 31 March 2014 £'000	CETV at 31 March 2013 £'000	Real increase in CETV £'000
Pam Chapman	19	58	1	3	408	378	30

Table 4 shows the pension details relating to Board Members who are in the Classic Civil Service Pension Scheme

Cash Equivalent Transfer Values (CETV)

This is the actuarially-capitalised 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 pension benefits they have 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 disclosure applies. CETVs are calculated in accordance

with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The Real Increase in the Value of the CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the scheme member. It is worked out using common market valuation factors for the start and end of the period.

Employer Contributions to Group Personal Pension Scheme

Staff who are directly employed by NHS Property Services on or after 1 April 2013 are not eligible to be members of the NHS Pension Scheme. NHS Property Services Ltd has established a new group personal pension scheme provided by Scottish Widows. All NHS Property Services employees who join the company, on or after 1 April 2013, are automatically contracted into the group personal pension scheme and can enjoy this benefit without needing to sign up individually for the pension. Staff are automatically contracted to pay a minimum 1% employee contribution of pay and NHS Property Services Ltd will match employee contributions up to a maximum of 6%. Staff have the option to contribute more than 6%, or can decide to opt out.

In March 2014 the Company put in place a Life Assurance Plan to provide a lump sum benefit payable on a member's death. This arrangement will provide members of the Company's personal pension scheme with similar benefits to those staff who remain with the wider NHS scheme.

Where a senior manager has a group pension scheme account, the employer's contribution to the scheme is a maximum of 10%. This applied to two Board Members.

Table 5 provides details of pension interests of Board Members who are in the group pension scheme - Scottish Widows Pension Scheme.

Name	Title	31 March 2014 £'000	31 March 2013 £'000
Dennis Markey	Chief Operating Officer *	6	0
Caroline Russell	Director of Finance	10	**
Table 5 shows the employer contributions made for Board Members who are in the group pension scheme - Scottish Widows Pension Scheme			
* part year			
** seconded from Community Health Partnerships Limited			

The report was approved by the Board on 10 July 2014 and signed for and on behalf by:

Signature: 

Robin Williams
Chairman

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the EU have been followed, subject to any material
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Board of Directors, confirms that to the best of his or her knowledge:

- the financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets and liabilities, financial position and the profit or loss of the Company; and
- the Directors' Report includes a review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

Independent Auditor's Report to the Members of NHS Property Services Ltd

I have audited the financial statements of NHS Property Services Ltd for the year ended 31 March 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the directors and the auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2014 and of the loss for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In my opinion:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.

Bryan Ingleby (Senior Statutory Auditor)

[date]

Bryan Ingleby

14 July 2014

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)

National Audit Office

157-197 Buckingham Palace Road

London

SW1W 9SP

**Statement of Comprehensive Income for year ended
31 March 2014**

	NOTE	2013-14 £000s	2012-13 £000s
Operating revenue	2	790,918	0
Staff costs	3	(108,010)	(997)
Depreciation and amortisation	9 & 10	(97,736)	0
Other expenses	4	(710,392)	(1,282)
Operating loss		(125,220)	(2,279)
Finance income	5	568	0
Finance costs	5	(28,890)	0
Loss on disposal of property, plant and equipment		(1,872)	0
Loss before tax from continuing operations		(155,414)	(2,279)
Taxation expense	6	(3,740)	0
Loss for the year		(159,154)	(2,279)
Other Comprehensive Income, net of income tax			
<i>Items that will not be recycled to profit or loss:</i>			
Net gain / (loss) on revaluation of property, plant & equipment		0	0
Net gain / (loss) on Assets Held for Sale		0	0
Other Comprehensive Income, net of income tax		0	0
Total comprehensive income for the year		(159,154)	(2,279)

All of the Company's activities are from continuing operations.

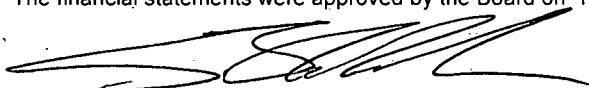
Notes 1 to 24, on pages 43 to 77, form part of this account.

**Statement of Financial Position as at
31 March 2014**

		31 March 2014	31 March 2013
	NOTE	£000s	£000s
Current assets:			
Trade and other receivables	7	317,464	10
Cash and cash equivalents		226,649	15,530
Inventory		6	0
Assets classified as held for sale	8	6,768	0
Total current assets		550,887	15,540
Non-current assets:			
Property, plant and equipment	9	3,436,238	0
Intangible assets	10	0	0
Trade and other receivables	7	30,311	0
Investment		2,830	0
Total non-current assets		3,469,379	0
Total assets		4,020,266	15,540
Current liabilities			
Trade and other payables	11	109,036	2,819
Borrowings	12	254,559	0
Provisions	14	23,028	0
Other liabilities		218	0
Total current liabilities		386,841	2,819
Non-current liabilities			
Trade and other payables	11	9,649	0
Borrowings	12	438,180	0
Provisions	14	123,467	0
Total non-current liabilities		571,296	0
Total liabilities		958,137	2,819
Net assets		3,062,129	12,721
Equity			
Share capital	15	173,000	15,000
Retained earnings		(161,433)	(2,279)
Revaluation reserve		0	0
Capital contribution reserves		3,050,562	0
Total equity		3,062,129	12,721

Notes 1 to 24, on pages 43 to 77, form part of this account.

The financial statements were approved by the Board on 10 July 2014 and signed on its behalf by:



Simon Holden
Chief Executive

Company Registered Number: 78881110

Statement of Changes in Equity
For the year ended 31 March 2014

	Share capital	Retained earnings	Capital contribution reserve	Total reserves
	£000s	£000s	£000s	£000s
Balance at 1 April 2013	15,000	(2,279)	0	12,721
Total comprehensive income for the period				
Retained profit / (loss) for the year	0	(159,154)	0	(159,154)
Net gain / (loss) on revaluation of property, plant & equipment	0	0	0	0
Net gain / (loss) on revaluation of assets held for sale	0	0	0	0
In year transfer	0	0	3,001,459	3,001,459
Transfers	0	0	31,005	31,005
Legacy payments and receipts made by the Department of Health	0	0	18,098	18,098
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	(159,154)	3,050,562	2,891,408
Transactions with owners, recorded directly in equity				
Issue of shares	158,000	0	0	158,000
Total contributions by owners	158,000	0	0	158,000
Balance at 31 March 2014	173,000	(161,433)	3,050,562	3,062,129
Balance at 1 April 2012	0	0	0	0
Total comprehensive income for the period				
Retained surplus/(deficit) for the year	0	(2,279)	0	(2,279)
Net gain / (loss) on revaluation of property, plant & equipment	0	0	0	0
Net gain / (loss) on revaluation of assets held for sale	0	0	0	0
In year transfer	0	0	0	0
Transfers	0	0	0	0
Legacy payments and receipts made by the Department of Health	0	0	0	0
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	(2,279)	0	(2,279)
Transactions with owners, recorded directly in equity				
Issue of shares	15,000	0	0	15,000
Total contributions by owners	15,000	0	0	15,000
Balance at 31 March 2013	15,000	(2,279)	0	12,721

Notes 1 to 24, on pages 43 to 77, form part of this account.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 March 2014**

	NOTE	2013-14 £000s	2012-13 £000s
Cash Flows from Operating Activities			
Loss for the year		(159,154)	(2,279)
Adjustments for non-cash transactions			
Taxation	6	3,740	0
Loss on disposal of property, plant and equipment		1,872	0
Depreciation and amortisation	9 & 10	97,736	0
Non-cash transfers		(453,947)	0
Increase/(Decrease) in Provisions		148,258	0
Inventories written off		(69)	0
Impairments of non current assets held for sale	8 & 10	1,804	
Adjustments for:			
Interest received (shown below)	5	(568)	0
Interest paid (shown below)	5	28,890	0
(Increase)/Decrease in Inventories		6	0
(Increase)/Decrease in Trade and Other Receivables		(349,814)	(10)
Increase/(Decrease) in Trade and Other Payables		103,269	2,819
Provisions Utilised		(1,582)	0
Net Cash Inflow/(Outflow) from Operating Activities		(579,559)	530
Cash Flows from Investing Activities			
Interest Received	5	568	0
(Payments) for Property, Plant and Equipment		(62,938)	0
Proceeds of disposal of assets held for sale		22,306	0
Net Cash Inflow/(Outflow) from Investing Activities		(40,064)	0
Cash Flows from Financing Activities			
Proceeds from the issue of share capital	15	158,000	15,000
Loans received	12	241,000	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		460,632	0
Interest Paid	5	(28,890)	0
Net Cash Inflow/(Outflow) from Financing Activities		830,742	15,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		211,119	15,530
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		15,530	0
Cash and Cash Equivalents (and Bank Overdraft) at year end		226,649	15,530

Notes 1 to 24, on pages 43 to 77, form part of this account.

Note 1

Accounting Policies (forming part of the financial statements)

REPORTING ENTITY

NHS Property Services Limited (the "Company") is a company incorporated and domiciled in the UK. The company's registered office is at 451C Skipton House, 80 London Road, London, SE1 6LH.

The Company was incorporated on 20 December 2011. However, it did not start trading until 1 April 2013. The Company is wholly owned by the Secretary of State for Health.

The Company inherited the ownership of a substantial proportion of the National Health Service (NHS) primary care property estate and NHS staff on 1 April 2013. Following the Health and Social Care Act 2012, Strategic Health Authorities (SHAs) and Primary Care Trusts (PCTs) in England were abolished and replaced with General Practitioners led commissioning consortia. All properties previously owned by the SHAs and the PCTs, not passed to the commissioning groups were transferred to the Company.

The principal activities of the Company is to manage, maintain and improve NHS properties and facilities, working in partnership with NHS organisations to create safe, efficient, sustainable and modern healthcare and working environments.

BASIS OF PREPARATION

Statement of Compliance

The financial statements for the Company are for the year ended 31 March 2014, and were approved by the Board on 10 July 2014.

The company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Although these estimates, disclosed below, are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Measurement base

The financial statements have been prepared on a historical cost basis, except where modified by the revaluation of land and buildings at fair value.

Functional and presentation currency

The financial statements are presented in pounds (£), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Changes in accounting policy

The company became fully operational on 1 April 2013 and have applied accounting policies relevant to the Company, resulting in the financial statements containing relevant and reliable information.

There have been no changes in accounting policies during the financial year.

There have been no revisions to accounting standards during the financial year which have had an effect on the Company's financial statements.

Comparatives

The comparative period described as 2012-13 throughout the accounts represents the period 20 December 2011 to 31 March 2013.

When presentation or classification of items in the financial statements is amended, comparative figures have been restated to ensure consistency with the current period.

The Company has changed its presentation of expenditure in the Statement of Comprehensive Income and Note 4 – Other Operating Expenses to reflect the company becoming fully operational in the 2013/14 financial year. As a result, comparatives were reclassified.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors report.

The directors believe that the company is well placed to manage its business risks successfully despite the loss of £159 million. There are two reasons for this:

- Firstly, the loss was substantially driven by one-off adjustments and other exceptional issues. Specifically, the need to harmonise different accounting policies and practice of the 161 PCTs/SHAs it replaced to create consistent approach appropriate to a single company led to the need to increase provisions for dilapidations by £81 million and onerous leases by £21 million. In addition, the Department of Health, as the Company's shareholder, agreed that the Company should not seek to recover two elements of cost incurred by it during the first year of operations from the occupiers of its properties or their commissioners; namely the additional VAT burden caused by it, unlike its PCT predecessors, not benefiting from S41 VAT recovery and Head Office costs. The Company also began a major restructuring process during 2013/14. Consequent upon this was a need to make a provision for the costs of redundancies and early retirements; this cost was approximately £10 million.
- Secondly, the company is wholly owned by the Secretary of State for Health who has given an undertaking that supports the 'going concern' view of the company. Specifically an indemnity has been issued that commits the Secretary of State to providing funding, in the event of other sources of income being insufficient, for all property related liabilities and obligations either inherited by the Company or which arise in relation to future projects.

In view of these two points the directors consider that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Company, are:

- IAS 32 and IFRS 7 (amendment) 'Financial Instruments Amendment on Financial Assets and Liability Offsetting'; and
- IFRS 9 'Financial Instruments' on 'Classification and Measurement' of Financial Assets and Liabilities

The Company does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

SIGNIFICANT ACCOUNTING POLICIES

1. Transfer of Opening Balances

On 1 April 2013, 3,119 NHS staff and 3,722 buildings were transferred from former Strategic Health Authorities and Primary Care Trusts (legacy organisations). As a result, the Company has inherited assets and liabilities in line with legal ownership outlined in the Property Transfer Scheme.

In validating the balances transferred, the Company has applied the Instructions for Receiver Organisations developed by the Department of Health which includes ensuring the assets and liabilities transferred to the Company is in line with the Property Transfer Scheme.

To ensure compliance with the Company's accounting policy, all assets and liabilities transferred on 1 April 2013 were reviewed and recognised at cost except for:

- Assets that are classified as held for sale in accordance with IFRS 5 - Asset Held for Sale, which are measured in accordance with that Standard; and
- Property, plant and equipment and intangible assets are initially recognised at cost. Subsequent to initial recognition, the assets will be valued on the same basis as assets acquired separately. Refer to accounting policy on property, plant and equipment and intangible assets below.

The Company's circumstances did not meet IFRS 3 - Business Combination, as the transaction was a transfer of assets and liabilities rather than a business acquisition.

Between 1 April 2013 and 31 August 2013, payments and receipts made relating to the legacy transactions using the Department's cash were conducted on behalf of the Company. The net impact of these cash flows is reflected in the Company's accounts in the Capital Contribution Reserve. This reserve represents the Department of Health's investment in the Company.

Refer to Note 24: Transfer of opening balances for further detail.

2. Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Company will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

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

Contingent rentals are recognised as an expense in the period in which they are incurred. Contingent rent is that portion of the lease payments that is not fixed in amount but is based on the movement in the market rentals.

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

The Company as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

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

Contingent rentals are recognised as revenue when earned.

3. Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs and is measured at the fair value of the consideration receivable.

The main source of revenue for the Company is from rental income and grant funding.

Grant Income

The substantial shortfall between the costs required to provide the Company's services and the income derived from rental is funded through a recharge to NHS England and the Clinical Commissioning Groups. This recharge is in the nature of grant does not have any conditions attach to it, thus it is credited to the Statement of Comprehensive Income upon receipt or when there is reasonable assurance that the grant will be received.

4. Expenses

Finance income and expenses

Finance income is comprised of interest income on finance lease receivables.

Finance costs are comprised of interest expense on borrowings, finance lease and PFI liabilities. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest income and interest payable is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

Other Expenses

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

5. Financial Assets

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

Financial assets are initially recognised at fair value.

Cash and cash equivalents

Cash and cash equivalents are made up of cash balances with original maturities of three months or less. The company has no other investments with the banks or bank overdrafts.

Trade and other receivables

Trade and other receivables are stated at their fair value less any provision for impairment.

A receivable is impaired when there is objective evidence that the Company will not be able to collect amounts due according to the original terms of the receivable. The age of the relevant receivables and the nature of the debt are considered indicators that the debt is impaired.

Refer to 'trade receivables' under critical judgements in applying accounting policies.

6. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the Statement of Comprehensive Income. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale.

The gain or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income.

Refer to 'non-current assets held for sale' under critical judgements in applying accounting policies.

7. Property, plant and equipment

Recognition and Measurement

Property, plant and equipment asset classes consist of land, buildings, plant and equipment, furniture and fittings, motor vehicles and IT equipment.

Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation and impairment losses. All other asset classes are measured at cost, less accumulated depreciation and impairment losses.

The Company has recognised its property, plant and equipment in accordance with IAS 16. Refer to 'classification of properties' under critical judgements in applying accounting policies

Assets under construction are carried at cost. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. An impairment review is performed when the asset is ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for intended use.

Revaluation

Land and buildings are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.

The Company has adopted a periodic rolling programme of revaluations across its portfolio. The Company has adopted the following bases of valuation:

- Specialised buildings – depreciated replacement cost.
- Non-specialised land and buildings - market value.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the profit or loss. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the profit or loss will be recognised first in the profit or loss up to the amount previously expensed, and then recognised in other comprehensive income.

Refer to 'revaluation of land and buildings' under critical judgements in applying accounting policies.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value as at the date of acquisition.

The Company's capitalisation thresholds are:

Buildings	£20,000
Plant and equipment	£ 5,000
Furniture and fittings	£ 8,000
Motor vehicles	£10,000
IT equipment	£ 8,000

Items of plant and equipment, furniture and fittings and IT equipment, individually valued at less than the thresholds set out above, but forming a collective whole asset which would be valued greater than the thresholds above will be recognised.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the Statement of Comprehensive Income as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to retained earnings.

Impairment

Property, plant, and equipment and intangible assets that have a finite useful life are reviewed for indicators of impairment as at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the Company shall estimate the recoverable amount of the asset. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Value in use is depreciated replacement cost for an asset where the service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the Company would, if deprived of the asset, replace its remaining service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is treated as a revaluation decrease (see above.)

For assets not carried at a revalued amount, the impairment loss is recognised in the profit or loss.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than land, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of property, plant, and equipment have been estimated as follows:

Buildings	
- Buildings main structure	50 years
- Engineering works	25 years
- External works	15 years
Plant and equipment	5 – 15 years
Furniture and fittings	5 – 10 years
Motor vehicles	8 years
IT equipment	3 – 7 years

Depreciation is charged monthly, and additions are depreciated from the beginning of the quarter following the date it is brought into use.

8. Private Finance Initiative (PFI) Transactions

The Company has inherited 26 PFIs from the previous PCTs/SHAs who have applied different models to generate the valuations. The Company has reviewed the models to ensure it is in compliant with IFRIC 12: Service Concession Arrangements.

The Company accounts for infrastructure PFI schemes where it controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The company therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The fair values of services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) The service charge;
- b) Repayment of the capital; and
- c) The interest element (using the interest rate implicit in the contract)

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

Assets

Assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at the present value of the minimum lease payments in accordance with IAS 17.

Where the operator enhances assets already recognised in the Statement of Financial Position, the fair value of the enhancement in the carrying value of the asset is recognised as an asset.

Where the PFI asset is owned by the PFI Company and the Company has an option to purchase the asset at the end of the term, the Company has assumed that this option would be exercised. The asset is held as a financial instrument which is off-set against the lease liability and depreciated for the length of the contract period.

Liabilities

A PFI liability is recognised at the same time as the assets are recognised. It is measured initially at the present value of the minimum lease payments and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Income.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the company's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

9. Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when the Company becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

The company has financial liabilities, comprising finance lease liabilities, PFI liabilities, loans and trade and other payables. All financial liabilities are recognised initially at fair value, net of any transaction costs incurred, and then measured at amortised cost using the effective interest rate method. Where the effect is material, the estimated cash flows of financial liabilities are discounted.

10. Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

11. Superannuation schemes

Defined benefit scheme

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

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

Defined contribution plan

Employees who join the company on or after 1 April 2013 are automatically contracted into the Scottish Widows group personal pension scheme. This is a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

12. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where the effect is material, when a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The Company's onerous contracts consist of vacant and partly vacant properties.

Dilapidations

In respect of a number of the Company's leased premises, the Company is required to at the expiry of the lease term to make good any damage caused to the premises and to remove any furniture and fittings installed by the Company.

Restructuring

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

13. Equity and reserves

Share capital

Ordinary share capital is classified as equity and dividends are recognised as a liability in the period in which they are approved.

Capital contribution

The capital contribution reserve is not a distributable reserve and cannot be applied to fund expenditure. This is in line with section 830(2) of the Companies Act 2006, as this reserve does not consist of realised profits.

Under the Health and Social Care Act, the Company received assets and liabilities relating to the estates functions of the former Primary Care Trusts and Strategic Health Authorities. This reserve reflects the Department of Health's investment in the Company and the company has no obligation to repay the contribution.

14. Contingencies

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

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

15. Taxation

Income Tax

Tax on the Statement of Comprehensive Income for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Value Added Tax (VAT)

Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT. The Company has opted to tax assets where the underlying supply the Company receives is a Private Finance Initiative service. The remaining properties have not been opted. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

16. Segment reporting

The Company operates solely within the UK and within one business segment, hence no segment reporting are presented. This is consistent with the internal reporting provided to the Directors of the Company.

17. Critical accounting estimates and assumptions

In preparing these financial statements, management has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating useful lives and residual values of property, plant, and equipment

At each balance date, the useful lives and residual values of property, plant, and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates requires the Company to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Company, and expected disposal proceeds (if any) from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the Statement of Comprehensive Income and the asset's carrying amount.

Due to the poor quality of supporting documentation inherited from PCTS/SHAs, not all asset lives were provided. Therefore, the assets lives have been based on the following where available in order:

- PCT/SHAs working papers;
- District Valuer Valuation; or
- remaining term of lease if the asset is a lease improvement.

If not available, 75% of the company policy has been used as the last resort.

Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Company. This can be very complex, especially when there is a wide range of possible outcomes.

The Company's provision primarily consists of dilapidations.

On the expiry of operating and finance leases where title does not pass, the Company is required to make good any damage caused to the premises and to remove any furniture and fittings installed by the Company.

The Company has inherited contractual lease obligations not previously provided for as required by IFRS by legacy organisations.

The Company's provision is calculated based on an average rate per square metre of floor space. The rate is calculated by averaging the rates provided by an independent valuer engaged to value dilapidations on a selection of properties during the 2013/14 financial year. The Company has adopted a periodic three year rolling programme of revaluations across its portfolio and as part of this exercise, dilapidations will also be valued.

More details are given in note 14 in relation to other provisions recognised by the Company.

18. Critical judgements in applying accounting policies

The preparation of financial statements requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity significant to the financial statements are discussed below.

Classification of properties

IAS 40 Investment properties require that properties be classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals. Judgement needs to be exercised in determining whether the freehold properties owned by the company should be classified as investment properties in accordance with IAS 40. As investment properties are valued at fair value with movements in the fair value being recorded in the Statement of Comprehensive Income, this could have a significant effect on the financial performance of the Company.

Management have concluded that all properties held by the Company are treated as property, plant and equipment in accordance with IAS 16, due to the arguments presented below. The Company has reviewed its portfolio of properties and determined that the properties that meet the recognition criteria of IAS 40 are not significant. As a result, these properties have been valued in accordance with IAS 16.

The function of the Company is to provide stability and support the continued delivery of NHS services from its premises. The Company received its property portfolio as a result of the Health and Social Care Act 2012. Following the abolition of PCTs and SHAs, the Act provided for the majority of their assets to transfer to the Company. In addition, the Act also transferred to the Company a range of property related functions that related to these properties.

The assets and services transferred irrespective of the income raised from occupants in respect of rents and service charges. The income derived from the properties is based on legacy agreements inherited from PCTs and SHAs. It is a substantial element of the Company's income, but is ultimately incidental, acting as contribution towards the costs of the provision of services that the Articles of Association mandates the Company to provide.

The incidental nature of this income is reinforced by the substantial shortfall between the costs incurred in providing these services and the income derived from occupants. This shortfall is bridged through a recharge to commissioners on a broad portfolio basis.

The nature of the services that the Company provides in relation to the transferring properties has also been considered, as where the supply of such services is deemed to be significant IAS40 would not normally apply.

Based on the following factors and as disclosed under Note 4: Other Operating Expenses, management have deemed the ancillary services provided by the Company to be significant:

- The nature of the lessor's return – A fixed or variable return based on property values is more indicative of investment property for the lessor. Conversely, where the rental values are not based on the property values it may be an indicator that the underlying property is not an investment property.

The Company has inherited legacy lease contracts from the PCTs and these are not based on the property values. The Company's current funding strategy for the medium term is to recover costs incurred and property values are incidental to this model.

- Duration of lease contracts – If the contract is on an annual renewal basis with early cancellation clauses, then it is more indicative that the property is not an investment property.

The Company has inherited 7,300 lease contracts from the PCTs, of which 3,600 contracts are not documented and therefore it is reasonable to conclude that they are short-term and cancellable. Of the remaining contracts, the agreements may not have documentation cover lease terms and cancellations, making these short term and cancellable.

This policy is regularly reviewed by the Directors and where the objective of the Company changes such that it acts in the nature of an investment company rather than as a service provider either in respect of a significant class or all of its properties, adoption of IAS 40 may be required.

Non-current assets held for sale

To be classified in the accounts as non-current assets held for sale, assets must satisfy all of the criteria as set out in IFRS 5. Whilst the company has a pipeline programme of assets which are identified as being potentially available for sale, which is published on the company's website, these assets do not necessarily meet the criteria in IFRS 5, therefore they cannot be classified as being held for sale for the purposes of the company's financial statements. For the year ending 31st March 2014, only properties where the sale was at the point of contractual exchange, and therefore certain to sell, were identified as being held for sale in the financial statements. Other properties identified on

the disposal plan did not meet the criteria in IFRS 5; therefore they are not shown in the financial statements as being held for sale.

Revaluation of land and buildings

Prior to the transfer of assets on 1 April 2013, most of the legacy organisations revalued all their land and buildings. As a result, revaluation for the majority of land and buildings inherited by the Company was last completed in the 2012-13 financial year.

The Company has adopted a periodic rolling programme of revaluations across its portfolio. Due to the inherent complexities of inheriting properties and other non-current assets from one hundred and sixty one legacy organisations, year one of the programme (financial year ending 31st March 2014) was a year where no revaluations of property were carried out.

In order to obtain assurance that the carrying values as at 31st March 2014 were not materially misstated, the company calculated indexation on its properties. The indices used were the BCIS Resource Cost Indices as published by the Department of Business, Innovation and Skills at Quarter 4 of the year ending 31st March 2014. It is felt that these indices are the most appropriate available, given that the majority of the company's assets are specialist assets, held at Depreciated Replacement Cost (Modern Equivalent Asset), which as a valuation, is itself calculated using building cost indices. The indexation calculation revealed that there was no material change in the property values if indexation were to be applied. Further assurance as to the stability of values held in the company accounts can be obtained by taking into account the fact that, where properties have been disposed in year, the value of the receipts has not been materially different to the carrying values.

Leases classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Company.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised as property, plant, and equipment and the obligation is recognised as a liability in the statement of financial position, whereas for an operating lease no such asset or liability is recognised.

Undocumented leases

A large proportion of the sub-tenanted properties inherited by the Company consist of undocumented leases.

The Company is required to judge that it is legally entitled to income from these tenants. The Company have charged the tenants on the same basis as was found in the previous financial year. This charging model is the PCTs and SHAs baseline as the company has not re-negotiated the charge during the year.

As a result of the lack of legal documentation to support the basis for charging its tenants during the year, the Company has had difficulties in recovering its income. Refer to judgements made below in relation to write-offs.

The Company has only included documented leases to measure its future minimum receipts in Note 20. Thus, resulting in a significant variance between the Company's rental revenue received for the year and its future minimum receipts.

The Company has implemented a process to seek formal documentation for these undocumented leases.

Trade receivables

The company is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables and the nature of the debt.

The Company's policy is to recognise a provision for impairment for all receivables inherited by the Company on 1 April 2013 that is over 12 months and all in-year trade receivables over 180 days, unless there is specific information about a particular debt.

2. Operating revenue

The following is an analysis of the Company's revenue for the year from continuing operations:

	2013-14 £000s	2012-13 £000s
Operating lease - rental income	437,011	0
Finance lease - contingent rental income	148	0
Grant income	302,941	0
Other fees and charges	50,818	0
Total revenue	790,918	0

Rental income above includes service charges received by the Company as it is not practicable for the Company to disclose these amounts separately.

3. Staff costs

	2013-14 £000s	2012-13 £000s
Wages and salaries	69,545	746
Agency staff costs	16,092	251
Social security costs	4,910	0
Contributions to defined contribution plans	7,287	0
Restructuring costs	10,176	0
Total staff costs	108,010	997

The average number of staff employed by the Company (including directors) during the year was:

	2013-14 Number	2012-13 Number
Permanent staff	2,359	-
Agency staff	463	12
Other	5	20
Total	2,827	32

The remuneration of Directors and the disclosure of the highest paid director is included in the Remuneration Report on pages 31 to 33.

4. Other operating expenses

	2013-14 £000s	2012-13 £000s
Operating lease - rental expense	165,716	0
Finance lease - contingent rental expense	3,511	0
PFI lease - contingent rental expense	10,534	0
Facilities management	214,295	0
Utilities	122,602	0
Repairs and maintenance	52,182	24
Insurance	2,575	4
Phone rental and calls	5,787	0
Postage	3,955	0
Chair and non-executive Directors' costs	131	35
Legal and professional fees	13,421	144
External Audit fees	235	20
Internal Audit fees	170	0
Taxation compliance fees	121	0
Increase in dilapidation provision	82,041	0
Increase in onerous provision	21,262	0
Legacy write-offs	(22,081)	0
Impairments of Receivables	23,735	0
Impairments and reversals of non current assets held for sale	1,789	0
Other	8,411	1,055
Total other operating expenses	710,392	1,282

5. Finance income and costs

	2013-14 £000s	2012-13 £000s
Finance income		
Interest on finance leases	568	0
Total finance income	568	0
Finance costs		
Interest on loans	800	0
Interest on obligations under PFI contracts and Finance leases:		
main finance cost	27,199	0
Other interest expense	891	0
Total finance costs	28,890	0

6. Income Tax

	2013-14 £000s	2012-13 £000s
Recognised in the Statement of Comprehensive Income		
Current tax expense		
In respect of the current year	3,740	0
In respect of prior years	0	0
Total tax expense	3,740	0

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2013-14 £000s	2012-13 £000s
Reconciliation of effective tax rate		
Profit before tax from continuing operations	(155,414)	(2,279)
Income tax expense calculated at 23% (2012: 24%)	(35,745)	(547)
Effect of income that is exempt from taxation	0	0
Effect of expenses that are not deductible in determining taxable profits	39,485	0
Unutilised losses for which no deferred tax asset has been provided	0	547
Total income tax expense	3,740	0

As at 31 March 2014, the Company has a corporation tax creditor of £3,740k (2012-13: £0).

The Company does not have any deferred tax assets or liabilities (2012-13: £0).

7. Trade and other receivables

	Current		Non-current	
	2013-14 £000s	2012-13 £000s	2013-14 £000s	2012-13 £000s
Trade receivables	209,862	0	0	0
Less: Provision for impairment	(32,491)	0	0	0
Other receivables	13,569	9	18,620	0
Accrued income	60,234	0	0	0
Prepayments	57,331	1	1,705	0
VAT receivables	8,819	0	0	0
Finance lease receivables	140	0	9,986	0
Total	317,464	10	30,311	0

The carrying value of trade and other receivables approximate their fair value.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due as at 31 March 2014 for which the Company has not recognised an impairment for because the amounts are still considered recoverable.

The ageing profile of receivables at year end is detailed below:

	Not past due	1 - 30 days	31 - 180 days past due	More than 180 days past due
	£000s	£000s	£000s	£000s
Trade receivables past due				
As at 31 March 2014				
Past due date but not impaired	68,311	30,254	78,806	0
Past due date and impaired	0	0	0	32,491
Total	68,311	30,254	78,806	32,491
As at 31 March 2013				
Past due date but not impaired	9	0	0	0
Past due date and impaired	0	0	0	0
Total	9	0	0	0

All receivables greater than 30 days in age are considered to be past due.

The Company has recognised a provision for impairment for all receivables inherited by the Company on 1 April 2013 that is over 12 months and all in-year trade receivables over 180 days.

Movements in the provision for impairment of receivables are as follows:

Provision for impairment of receivables	2013-14 £000s	2012-13 £000s
Balance at 1 April	0	0
Transferred from ex PCTs and SHAs	11,252	0
Amount written off during the year	(2,496)	0
Increase in receivables impaired	23,735	0
Balance at 31 March	32,491	0

8. Assets held for sale

	Land	Buildings, excluding dwellings	Dwellings	Furniture and Fittings	Plant and Machinery	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2013	0	0	0	0	0	0
Transferred from ex PCTs and SHAs	40,049	14,300	0	0	492	54,841
Assets no longer held for sale (for reasons other than sale)	(40,049)	(14,300)	0	0	(492)	(54,841)
Plus: assets classified as held for sale in the year	17,862	14,727	45	81	20	32,735
Less: assets sold in the year	(14,373)	(9,704)	0	(81)	(20)	(24,178)
Less: impairment of assets held for sale	0	(1,789)	0	0	0	(1,789)
Balance at 31 March 2014	3,489	3,234	45	0	0	6,768
Liabilities associated with assets held for sale at 31 March 2014	0	0	0	0	0	0

The company did not have any assets held for sale prior to 1 April 2013.

The Company has 30 properties held for sale. A key part of the company's role is the efficient management and disposal of properties which are no longer required by the NHS for the delivery of services, as well as ensuring that best value is achieved for the NHS from any disposal. The decision as to whether one of the Company's properties is surplus to NHS operational requirements resides with the commissioners, i.e. NHS England or a clinical commissioning group (CCG). A property will only be released for disposal once commissioners have confirmed that it is no longer required for the delivery of NHS services. The disposals are planned to take place at various dates during the next financial year.

Refer to Note 23 - Events after the end of the reporting period, where the Company has disclosed the number of properties that have become held for sale since 31 March 2014.

9. Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & equipment	Furniture & fittings	Motor Vehicles	IT Equipment	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
2013-14									
Cost or valuation:									
At 1 April 2013	0	0	0	0	0	0	0	0	0
Transferred from ex PCTs and SHAs	1,002,086	2,331,286	14,468	53,929	4,644	9,959	260	1,823	3,418,455
Reclassifications	(2,158)	64,076	50	(53,929)	(1,450)	(5,121)	46	(1,514)	0
Additions	451	32,033	0	28,244	383	289	0	1,198	62,598
In year transfer		31,005							31,005
Impairment		(190)							(190)
Reclassifications to/from Held for Sale	22,187	(653)	(45)	0	470	(84)	0	0	21,875
At 31 March 2014	1,022,566	2,457,557	14,473	28,244	4,047	5,043	306	1,507	3,533,743
Depreciation									
At 1 April 2013	0	0	0	0	0	0	0	0	0
Charged During the Year	0	95,559	579	0	477	967	52	102	97,736
Reclassifications as Held for Sale	0	(226)	0	0	(2)	(3)	0	0	(231)
At 31 March 2014	0	95,333	579	0	475	964	52	102	97,505
Net Book Value at 31 March 2014	1,022,566	2,362,224	13,894	28,244	3,572	4,079	254	1,405	3,436,238
Asset financing:									
Owned	941,989	1,921,925	13,179	28,208	3,485	4,062	254	1,405	2,914,507
Held on finance lease	3,539	64,224	715	0	3	0	0	0	68,481
On-SOFP PFI contracts	77,038	376,075	0	36	84	17	0	0	453,250
Total at 31 March 2014	1,022,566	2,362,224	13,894	28,244	3,572	4,079	254	1,405	3,436,238

The company did not have any property, plant and equipment prior to 1 April 2013.

10. Intangible assets

2013-14

At 1 April 2013

Transferred from ex PCTs and SHAs

Other transfer

Impairment

At 31 March 2014

Amortisation

At 1 April 2013

Charged during the year

Impairment

At 31 March 2014

Net Book Value at 31 March 2014

Software purchased £000's	Total £000's
0	0
209	209
(194)	(194)
(15)	(15)
<u>0</u>	<u>0</u>
0	0
0	0
0	0
<u>0</u>	<u>0</u>
0	0
<u>0</u>	<u>0</u>

The company did not have any intangible assets prior to 1 April 2013.

11. Trade and other payables

	Current		Non-current	
	2013-14	2012-13	2013-14	2012-13
	£000s	£000s	£000s	£000s
Trade payables	46,307	438	425	0
Other payables	8,298	832	8,894	0
Interest payable	0	0	0	0
Accruals	40,271	364	0	0
Deferred income	8,001	1,178	330	0
Social security costs	2,419	0	0	0
Tax	3,740	0	0	0
Other	0	7	0	0
Total trade and other payables	<u>109,036</u>	<u>2,819</u>	<u>9,649</u>	<u>0</u>

12. Borrowings

	Current		Non-current	
	2013-14 £000s	2012-13 £000s	2013-14 £000s	2012-13 £000s
Loans	241,000	0	0	0
PFI liabilities (refer to note 20)	10,914	0	367,660	0
Finance lease liabilities (refer to note 19)	2,645	0	70,520	0
Total borrowings	254,559	0	438,180	0

Repayment of principal falling due in:

	2013-14 £000s	2012-13 £000s
Within one year	254,559	0
Between one to five years	57,524	0
After five years	380,656	0
Total borrowings	692,739	0

The Company entered into a Flexible Loan Facility Agreement with the Secretary State of Health on the 19th of November 2013 for an amount up to £350,000,000. The Company has not had any default on its principal and interest payment during the period. The rate of interest applicable to this Flexible Loan Facility is the interest rate determined by the reference to the National Loan Fund rate for loans up to one year prevailing on the day of the first utilisation of this facility. The final repayment date of the loan is 31 March 2015. Until that date no part of the loan is repayable until the Company has an operational cash balance of over £100,000,000.

13. Employee benefits

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

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the scheme is subject to a full actuarial valuation every four years, with approximate assessments in intervening years. An outline of these follows:

a) Accounting valuation

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

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

b) Full actuarial (funding) valuation

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

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

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

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

c) Scheme provisions

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

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

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

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

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

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

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

Scottish Widows

All NHS Property Services employees who join the company on or after 1 April 2013 are automatically contracted into the Scottish Widows group personal pension scheme. This is a defined contribution plan.

14. Provisions

	Onerous Leases	Dilapidations	Restructuring	Legal claims	Other	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013	0	0	0	0	0	0
Transferred from ex PCTs and SHAs	6,062	27,635	232	122	181	34,232
Arising During the Year	21,262	82,041	10,149	574	0	114,026
Utilised During the Year	(324)	(1,128)	(128)	(2)	0	(1,582)
Reversed Unused	0	0	0	0	0	0
Reclassification	0	0	0	0	(181)	(181)
Balance at 31 March 2014	27,000	108,548	10,253	694	0	146,495
Current	4,090	7,991	10,253	694	0	23,028
Non-current	22,910	100,557	0	0	0	123,467
	27,000	108,548	10,253	694	0	146,495

Onerous Leases

The provision for onerous leases represents the present value of the future lease payments that the company is presently obligated to make under non-cancellable onerous operating lease contracts.

The Company has inherited non-cancellable onerous operating lease contracts not previously provided for as required by IFRS by legacy organisations. To ensure compliance with IFRS, the Company's additional in-year provision of £21 million is higher than originally anticipated.

The estimate may vary as a result of changes in the utilisation of the leased premises. The sensitivity analysis below have been determined based on possible changes of the % of void space for all properties that are not 100% void, while holding all other assumptions constant:

% of void space	Total £000s	Current £000s	Non-current £000s
+10%	18,760	2,482	16,278
-10%	6,920	1,116	5,804

If the % of void space was 10% higher (lower) for all properties that are not 100% void, the Company's onerous lease provision would be increase by £6 million (decrease by £6 million)

Dilapidations

On the expiry of operating leases and finance leases where title does not pass, the Company is required to make good any damage caused to the premises and to remove any furniture and fittings installed by the Company.

The Company has inherited contractual lease obligations not previously provided for as required by IFRS by legacy organisations. To ensure compliance with IFRS, the Company's additional in-year provision of £82 million is higher than originally anticipated.

The Company's provision is calculated based on an average rate per square metre of floor space. The rate is calculated by averaging the rates provided by an independent valuer engaged to value dilapidations on a selection of properties during the 2013/14 financial year. The Company has adopted a periodic rolling programme of revaluations across its portfolio and as part of this exercise, dilapidations will also be valued.

The sensitivity analysis below have been determined based on possible changes of the average rate per square metre of floor space, while holding all other assumptions constant:

Dilapidation per square metre	Total £000s	Current £000s	Non-current £000s
-10% = £98	98,497	7,251	91,246
+10% = £118	118,599	8,731	109,868

If the average rate per square metre of floor space was 10% higher (lower), the Company's dilapidations provision would be increase by £10 million (decrease by £10 million)

Restructuring

During the year, the Company has carried out a series of reviews of its structure, resulting in a number of restructuring decisions. The business redesign programme is to ensure that the Company is structured to be able to deliver on the two streams of the business, asset management and facilities management. The restructuring is expected to be completed in June 2014. The provision represents the obligation to pay employee exit costs.

Legal claims

The provision for legal claims represents the estimated cost of settling outstanding claims against the Company. It has been created due to the uncertainty over these cases as the liability depends on the likelihood of the claims being paid. Where the likelihood of the claims being paid is low, the Company has disclosed it as a contingent liability (refer to Note 22).

15. Share capital

	2013-14 000s	2012-13 000s
On issue at 31 March - fully paid	158,000	15,000
	2013-14 £000s	2012-13 £000s
Allotted, called up and fully paid		
Ordinary shares of £1 each	173,000	15,000
Shares classified as liabilities	0	0
Shares classified in shareholders' funds	173,000	15,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The company issued 158,000,000 (2012-13: 15,000,001), £1 ordinary shares for a consideration of £158 million (2012-13: £15 million), settled in cash and no preference shares were issued

The Company has one shareholder which is the Secretary of State for Health.

Dividend

There was no requirement for a dividend to be paid this period and after the Statement of Financial Position date no dividends were proposed by the Directors.

16. Finance lease obligations

16 (a) Finance lease obligations as lessee

The Company holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in Note 9.

Contract name and Description	Start dates	End dates
Millenium Village Health Centre	Mar-2002	Mar-2027
Neaman Practice	Feb-2005	Feb-2030
The Palace Surgery	May-2007	May-2032
Tooting Bec Medical Centre	Apr-2003	Apr-2028
Furzedown Primary Care Centre	Jul-2000	Jul-2021
Greyswood Practice	Mar-2004	Mar-2029
Wideway Medical Centre	Dec-2001	Dec-2026
Roundshaw Health Centre / Mollison	Dec-2002	Dec-2027
Robin Hood Lane	Nov-2007	Nov-2027
South Westminster Health Centre	Apr-1992	Mar-2117
Tile Hill Primary Care Centre	Nov-2005	Nov-2026
Willenhall Primary Care Centre	Feb-2004	Feb-2029
Battle House	Apr-1994	Apr-2093
Tunstall Dransfield	Sep-2011	Sep-2036
Branton Primary Care Centre	Jan-2006	Jan-2026
Hednesford Valley Medical Centre	Nov-2007	Nov-2027
Norton Canes Medical Centre	Nov-2007	Nov-2027
Sandy Lane Medical Centre Rugeley	Jan-2007	Jan-2037
Merlin House	Sep-2004	Oct-2014
Langton Grange Health Centre	May-2006	May-2031
Springfield Wellbeing Centre	Aug-2008	Aug-2028
156 And 158 Kingswood Avenue	Jan-2001	Jan-2031
Foregate Close	Aug-2000	Aug-2030
Nazeing Valley HC (8 Lime Tree Unit)	Apr-2009	Apr-2039
Sydenham House	Mar-2003	Mar-2038
George St, Units 1,3 and 4	Mar-1992	Mar-2017
Crossbrook Street, Cheshunt	Mar-1992	Mar-2016
Heald Green Health Centre	Nov-2007	Nov-2132
Woodley Health Centre	Nov-2007	Nov-2132
Southdene Pocr	Sep-2003	Sep-2023
Hollinwood Medical Practice	Jan-2010	Jan-2015
Ordsall	Jan-1900	Mar-2037
Whickham Cottage Health Centre	Jul-2002	Jul-2062
The Glen Primary Care Centre	Jun-2007	Jun-2032
Cleveland Health Centre	Jan-1973	Jan-2094
Bransholme Health Centre	Jan-2010	Jan-2099
Cleodon Park	Jan-1900	Mar-2036
Abingdon Charter Health Centre	Apr-1977	Apr-2037
Chipping Norton Ambulatory Care Cntr	Dec-2009	Dec-2061
Coburg Court Residences	Jan-1992	Jan-2112
Emberbrook	Dec-1998	Dec-2048

Amounts payable under finance leases (Buildings)

Minimum lease payments

Present value of minimum lease payments

	2013-14 £000s	2012-13 £000s	2013-14 £000s	2012-13 £000s
Within one year	6,871	0	2,637	0
Between one and five years	25,948	0	10,458	0
After five years	115,088	0	59,727	0
Less future finance charges	(75,085)	0		0
Present value of minimum lease payments	72,822	0	72,822	0

Amounts payable under finance leases (Land)

Minimum lease payments

Present value of minimum lease payments

	2013-14 £000s	2012-13 £000s	2013-14 £000s	2012-13 £000s
Within one year	44	0	8	0
Between one and five years	176	0	30	0
After five years	1,512	0	305	0
Less future finance charges	(1,389)	0		0
Present value of minimum lease payments	343	0	343	0

Included in:

Current borrowings	(note 12)	2,645	0
Non-current borrowings	(note 12)	70,520	0
		73,165	0

Rental expense

	2013-14 £000s	2012-13 £000s
Contingent rental payments	3,511	0
Total rental expense	3,511	0

16 (b) Finance lease receivables as lessor

The Company leases a property under a finance lease arrangement.

Amounts receivable under finance leases (buildings)

Minimum lease payments

Present value of minimum lease payments

	2013-14 £000s	2012-13 £000s	2013-14 £000s	2012-13 £000s
Within one year	702	0	140	0
Between one and five years	2,808	0	656	0
After five years	14,744	0	9,330	0
Less future finance charges	(8,128)	0		0
Present value of minimum lease payments	10,126	0	10,126	0
Less: Allowance for uncollectible lease payments:	0	0		0
Total finance lease receivable	10,126	0	10,126	0

Included in:

Current finance lease receivables	(note 7)	140	0
Non-current finance lease receivables	(note 7)	9,986	0
		10,126	0

Rental revenue

	2013-14 £000s	2012-13 £000s
Contingent rents	148	0
Total rental revenue	148	0

17. Private Finance Initiatives

The company is party to the following Private Finance Initiative ('PFI') arrangements as detailed below, where the Company controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and are accounted for in accordance with IFRIC 12 Service concession arrangements ('IFRIC 12').

The Company therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them (see note 9 for details of PFI assets). The fair values of services received under the contract are recorded as operating expenses.

Contract name and Description	Start dates	End dates
Willesden Centre For Hlth And Care	2006	2035
Queen Marys Hospital (Roehampton)	2005	2035
Mansfield Community Hospital	2006	2043
Johnson Hospital (Whole Site)	2008	2039
Danetre Hospital Pfi	2006	2037
City Care Centre	2006	2043
Epping Forest Unit-St Margarets Pfi	2006	2035
Brentwood	2007	2039
Bishops Stortford Hc, Market Square	2003	2034
Whitegate Health Centre	2009	2040
Batley Hc	2005	2036
Cleckheaton Hc	2005	2036
Dewsbury Hc	2005	2036
Eddercliffe Hc	2005	2036
Ravensthorpe Hc	2005	2036
Sedgefield Community Hospital	2009	2032
Stanley Primary Care Centre	2009	2039
Cornerstone Centre	2013	2035
Friary Hospital	1999	2024
Redcar Primary Care Hospital	2009	2038
Gravesham Community Hospital	2005	2036
New Forest Lymington Hospital	2007	2037
Aldershot Centre for Health	2009	2038
West Mendip Community Hospital	2005	2035
Liskeard Hospital	2003	2034
Farnham Hospital&Centre For Health	2003	2029

	2013-14 £000s	2012-13 £000s
Service element of on SOFP PFI charged to operating expenses in year	28,346	0
Total obligations for on SOFP PFI contracts due		
No Later than One Year	33,860	0
Later than One Year, No Later than Five Years	133,960	0
Later than Five Years	548,168	0
Subtotal	715,988	0
Less: Interest Element	(337,414)	0
Total	378,574	0
Payments committed to in respect of the service element of on SOFP PFI		
No Later than One Year	27,413	0
Later than One Year, No Later than Five Years	117,769	0
Later than Five Years	692,188	0
Total	837,370	0
Included in:		
Current borrowings (note 12)	10,914	0
Non-current borrowings (note 12)	367,660	0
	378,574	0

18. Financial Instruments

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities.

The company is not exposed to significant financial risk factors arising from financial instruments. Financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing the entity in undertaking its activities.

Categories of Financial Assets and Liabilities

	Carrying amount 2013-14 £000s	Carrying amount 2012-13 £000s
Loans and receivables		
Trade and other receivables	279,920	9
Cash and cash equivalents	226,649	15,530
Total loans and receivables	506,569	15,539
Total financial assets	506,569	15,539
Financial liabilities measured at amortised cost		
Trade and other payables	104,195	1,641
Borrowings	241,000	0
Other financial liabilities - PFI, Finance Lease and other	451,957	0
Total financial liabilities measured at amortised cost	797,152	1,641
Total financial liabilities	797,152	1,641

18 (a) Fair value of financial instruments

The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

18 (b) Credit risk

Credit risk is the risk that a third party will default on its obligations to the Company causing it to incur a loss.

In the normal course of business, exposure to credit risk arises from cash and investments with banks and trade and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

The company's cash assets are held within the Government Banking service only. As the company does not hold investments other than necessary cash, the Company is not exposed to significant credit risk in this regard.

The Company's trade receivables are with a large number of customers spread across various geographical areas. Government funded entities, NHS England and Clinical Commissioning Groups (CCGs) make up a significant portion of the Company's receivables. As disclosed in Note 25, the Company has inherited significant operational risks which includes a number of properties with undocumented leases. This has led to the Company applying critical judgements in relation to the revenue charged to its tenants and an aging trade receivables balance (refer to critical judgements section in the accounting policies notes).

As a result, the Company has recognised a provision for impairment of trade receivables for all inherited legacy receivables balance and certain receivables balances generated in year. The Company is also currently in process of implementing credit vetting process for new tenants and guarantors.

No collateral or other credit enhancements are held for financial instruments that give rise to credit risk.

18 (c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due.

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding.

The company mostly manages liquidity risk by continuously monitoring forecast, cash flow requirements and management of the flexible loan facility with the Department of Health. Refer to Note 12 - Borrowings for further information on the loan.

Contractual maturity analysis of financial liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Financial liabilities	Carrying amount £000	Contractual cash flow £000	Less than 1 year £000	1 - 5 years £000	More than 5 years £000
2013-14					
Trade and other payables	118,685	118,685	109,036	755	8,894
Finance leases	73,165	149,639	6,915	26,124	116,600
PFI	378,574	715,988	33,860	133,960	548,168
Borrowings	241,000	241,000	241,000	0	0
	811,424	1,225,312	390,811	160,839	673,662
2012-13					
Trade and other payables	2,819	2,819	2,819	0	0
	2,819	2,819	2,819	0	0

18 (d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The company's transactions are all undertaken in sterling and so it is not exposed to foreign exchange risk. It holds no significant investments other than bank deposits. Other than cash balance, the company's financial assets and liabilities is carried at fixed rates of interest and its operating cash flows are consequently independent of changes in market interest rates.

However, the Company is exposed to movements in the property market as the Company's assets consist predominantly of land and buildings. Refer to the Directors report on pages 22 to 23 as to how the Company has managed this risk.

19. Related party transactions

The Company is required to disclose transactions with related parties. Related parties are entities or individuals who have the potential to control, indirectly control or significantly influence the Company or to be controlled, indirectly controlled or significantly influenced by the Company.

NHS Property Services is a private limited company, 100 per cent owned by the Secretary of State for Health, making it the Company's ultimate controlling party.

As at 31 March 2014, the Company owed the Department of Health £241 million (2012-13: £0) in respect of the flexible loan facility. Refer to Note 12 for further information on the loan.

The Company maintains an interests register for the Directors, to record any interests they may have in any organisations which the Company transacts with.

Details of related party transactions are as follows:

Director	Organisation	2013-14			
		Payments to Related Party £ 000	Receipts from Related Party £ 000	Amounts owed to Related Party £ 000	Amounts due from Related Party £ 000
Dennis Markey	Serco Limited	3,059	4,677	19	0
Peter Coates	NHS Shared Business Services	1,771	0	135	0
Douglas Blausten	Cyril Leonard	65	0	0	0
Martin West	Ealing Hospital NHS Trust	18	5,805	0	5,608
		<u>4,913</u>	<u>10,482</u>	<u>154</u>	<u>5,608</u>

Director	Organisation	2012-13			
		Payments to Related Party £ 000	Receipts from Related Party £ 000	Amounts owed to Related Party £ 000	Amounts due from Related Party £ 000
Charles Howeson	Harvey Nash	22	0	0	0
Peter Coates	NHS Shared Business Services	229	0	0	0
		<u>251</u>	<u>0</u>	<u>0</u>	<u>0</u>

All transactions were incurred are no more favourable than the Company would have adopted if there were no relationship to key management personnel.

The Department of Health is regarded as a related party. During the year, the Company has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below and includes all significant transactions with other NHS and non-NHS bodies at an arm's length basis.

	2013-14			
	Payments to Related Party £ 000	Receipts from Related Party £ 000	Amounts owed to Related Party £ 000	Amounts due from Related Party £ 000
Department of Health	2,643	6,953	277	6,595
Community Health Partnerships Limited	0	30,350	0	30,322
Public Health England	0	451	0	451
Special Health Authorities	4,505	8,211	2,281	4,576
NHS England	8,866	331,990	3,986	64,954
NHS Trusts	21,959	155,940	10,141	50,654
NHS Foundation Trusts	49,786	157,210	11,484	40,577
Total	87,759	691,105	28,169	198,129

	2012-13			
	Payments to Related Party £ 000	Receipts from Related Party £ 000	Amounts owed to Related Party £ 000	Amounts due from Related Party £ 000
Department of Health	93	0	69	0
Community Health Partnerships Limited	266	0	266	0
Primary Care Trusts	384	0	283	0
Special Health Authorities	171	0	55	0
Total	914	0	673	0

In conducting its activities, the Company is required to pay various taxes and levies to the HM Revenue and Customs. The payment of these taxes and levies, is based on the standard terms and conditions that apply to all tax and levy payers.

Transactions with key management personnel

The remuneration of Directors and other key management personnel for the year was as follows:

	2013-14 £000s	2012-13 £000s
Short-term benefits	942	359
Post-employment benefits - contribution to defined benefit plan	15	0
Termination benefits	0	0
Total	957	359

The remuneration of Directors is disclosed in the Remuneration Report on pages 29 to 35.

20. Operating Leases

20 (a) The Company as a lessee

The Company's operating lease commitments relate to property leases entered into on commercial terms.

	2013-14 £000s	2012-13 £000s
Payments recognised as an expense		
Minimum lease payments	165,716	0
Total	165,716	0
Non-cancellable operating lease commitments:		
No later than one year	92,168	0
Between one and five years	310,607	0
After five years	632,839	0
Total	1,035,614	0
Total of future sublease payments expected to be received	109,414	0

There is a significant variance between the expense incurred during the year compared and the Company's commitment for future periods.

All lease commitments disclosed are only payments in which we are legally required to make over the term of the lease. We inherited a number of properties that have undocumented lease arrangements. We consider these to be cancellable lease arrangements. For those leases with break clauses we have assumed we will occupy the property for the term of the lease except in instances where the lease is considered onerous. When onerous we have assumed the break date clause will be exercised if still possible.

20 (b) The Company as a lessor

The Company earns rental income by leasing its operating properties to tenants under non-cancellable operating leases.

	2013-14 £000s	2012-13 £000s
Recognised as revenue		
Rental revenue	437,011	0
Total	437,011	0
Total future minimum receipts:		
No later than one year	46,987	0
Between one and five years	128,239	0
After five years	229,923	0
Total	405,149	0

There is a significant variance between the revenue earned during the year and the Company's expected revenue from future periods.

All future minimum lease receipts disclosed relate only to revenue in which we hold legal entitlement to through a valid lease. A large number of NHSPS tenants have undocumented occupancy arrangements or a business transfer arrangement without an end date. Although income from such property arrangements is expected to continue, in the absence of a formal document affirming legal entitlement, we have not included them in our disclosure. Refer to critical judgements applied by the Company in the Accounting Policies note for further details.

21. Commitments

Capital commitments

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

	2013-14 £000s	2012-13 £000s
Property, plant and equipment	3,629	0
Intangible assets	0	0
Total	3,629	0

	2013-14 £000s	2012-13 £000s
Not later than one year	3,629	0
Later than one year and not later than five year	0	0
Later than five years	0	0
Total capital commitments	3,629	0

Other commitments

The Company has entered into several contracts for the management and maintenance of its properties which will give rise to the following commitment:

	2013-14 £000s	2012-13 £000s
Not later than one year	4,945	0
Later than one year and not later than five year	3,760	0
Later than five years	0	0
Total other commitments	8,705	0

Operating lease commitments have been disclosed in note 20.

22. Contingencies

22 a. Quantifiable Contingencies

	2013-14 £000s	2012-13 £000s
Contingent liabilities		
Legal claims	57	0
Rent dispute	90	0
Net Value of Contingent Liabilities	147	0

Contingent Assets

Legal claims	36	0
Legal charges	1,221	0
Net Value of Contingent Assets	1,257	0

Legal claims

The contingent liability relates to legal claims which have been brought to the Company through the National Health Service Litigation Authority (NHSLA) and are in varying stages of being settled. The liability depends on the outcome which at present is uncertain.

Rent dispute

The contingent liability relates to a disputed rent review with the landlord who is seeking to claim rent arrears relating to a property leased by the Company.

Contingent Asset

The contingent assets relates to legal claims that the Company has against third parties. The likelihood of the claim being received by the Company depends on the outcome of the claims which at present is uncertain.

22 b. Unquantifiable Contingencies

Contingent Liabilities

As at 31 March 2014, the Company has no unquantifiable contingent liabilities.

Contingent Assets

Legal charges

On 1 April 2013, the Company inherited legal charges relating to properties whereby legacy organisations have made grants to Housing Associations to enable them to purchase suitable properties.

There are currently 1,549 properties still subject to the legal charge and there is no end date to the Company's financial interest in the properties.

If the property is sold the legal charge is exercised and the Company receives the sale price of the property less any fees incurred in relation to the sale.

The Company will recognise a contingent asset when the properties are marketed for sale and the contingent asset will be based on estimated sales value of the property.

As at 31 March 2014, there are 10 properties that have been marketed for sale with a value of £1,221k (31 March 2013: £0).

Overage payments

As at 31 March 2014, the Company is entitled to overage payments of 13 properties as it forms part of the terms of sale (31 March 2013: 0).

An overage payment is a sum which the Company may be entitled to receive after the completion of the sale if a specified condition is satisfied and the condition may be:

- The grant of a new planning permission; or
- The grant of planning permission for a new (perhaps more valuable) use of the land; or
- The construction of a larger than specified commercial development on the land

The Company will recognise a contingent asset when one of the conditions specified above is met and the contingent asset is based on an estimate stipulated in the contract.

23. Events after the end of the reporting period

Since the end of the reporting period, the Company has classified 16 properties as held for sale with a total market value of £12,517k. In total, these properties have a net book value of £19,339k, resulting in an impairment of £8,843k.

As disclosed under Note 8, the decision as to whether one of the Company's properties is surplus to NHS operational requirements resides with the commissioners, i.e. NHS England or a clinical commissioning group (CCG). A property will only be released for disposal once commissioners have confirmed that it is no longer required for the delivery of NHS services. The disposals are planned to take place at various dates during the next financial year.

The financial statements of NHS Property Services Ltd were authorised for issue on the 14th of July 2014.

24. Transfer of opening balances

NHS Property Services Limited was incorporated on 20 December 2011, however, did not start trading until 1 April 2013. The Company is wholly owned by the Secretary of State for Health.

The Company inherited the ownership of 3,722 buildings of the National Health Service (NHS) primary care property estate and 3,119 NHS staff on 1 April 2013. Following the Health and Social Care Act 2012, Strategic Health Authorities (SHAs) and Primary Care Trusts (PCTs) in England were abolished and replaced with General Practitioners led commissioning consortia in April 2013. All properties previously owned by the SHAs and the PCTs, not passed to the commissioning groups, were transferred to the Company. As a result, the Company inherited working capital balances as well as property, plant and equipment relating to its operations. The Department's investment in the Company is reflected in the Capital Contribution reserve.

As stated in the accounting policies note, between 1 April 2013 and 31 August 2013, payments and receipts made by legacy teams using the Department's cash were conducted on behalf of the Company. The net impact of these cash flows is reflected in the Company's accounts as Capital Contribution Reserve.

In validating the balances transferred, the Company has applied the Instructions for Receiver Organisations developed by the Department of Health. As part of this process the Company has validated all assets and liabilities transferred to the Company to ensure it is in line with the Property Transfer Scheme, the amount transferred can be supported, is accurate and complete.

The validation process has resulted in balances being reallocated to other receiving organisations in line with the legal ownership outlined in the Property Transfer Scheme:

- Clinical balances transfer mainly to NHS England
- Staff related assets/liabilities transfer to the organisation where the member of staff now works. If the individual left the system on or before 31 March 2013, the Department is the successor organisation
- Capital items transfer to the organisation specified in the transfer scheme, e.g. land and buildings transfer to NHS Property Services Community Health Partnerships. In some cases, the capital item may be being used by another party, and the terms of that arrangement need to be accounted for using the relevant accounting guidance (e.g. FREM, Manual for Accounts).
- All cash balances transfer to the Department.
- Where the value of the balance is known to have been misstated by the transferor at 31 March 2013, it must be transferred into the receiver's accounts on 1 April 2013 at this amount and subsequently adjusted to the correct value through a 2013-14 in-year transaction.

Assets and liabilities recognised at the date of the transfer	Transferred from ex PCTs and SHAs	Profit and Loss Impact	Utilised (Cash)	Post Validation Balances
	£000s	£000s	£000s	£000s
Current Assets				
Trade and Other Receivables	137,539	(30,371)	(71,196)	35,972
Cash and Cash Equivalents				
Inventories	69	(69)	-	-
Non-Current Assets Held For Sale	54,841	-	-	54,841
Total Current Assets	192,449	(30,440)	(71,196)	90,813
Non-Current Assets				
Property, Plant and Equipment	3,418,455	(190)	-	3,418,265
Intangible Assets	209	(15)	-	194
Trade and Other Receivables	26,103	(1,083)	-	25,020
Investments	3,146	(317)	-	2,829
Total Non Current Assets	3,447,913	(1,605)	-	3,446,308
Total Assets	3,640,362	(32,045)	(71,196)	3,537,121
Current Liabilities				
Trade and Other Payables	123,280	(22,626)	(63,939)	36,715
Borrowings	16,467	-	-	16,467
Total Current Liabilities	139,747	(22,626)	(63,939)	53,182
Non-current liabilities				
Trade and Other Payables	6,644	(2,105)	(341)	4,198
Borrowings	458,280	-	-	458,280
Provisions	34,232	(32,467)	-	1,765
Total non-current Liabilities	499,156	(34,572)	(341)	464,243
Total Liabilities	638,903	(57,198)	(64,280)	517,425
Net Assets	3,001,459	25,153	(6,916)	3,019,696
Equity				
Share Capital				
Retained Earnings		25,153	(25,014)	139
Capital Contribution Reserve	3,001,459	-	18,098	3,019,557
Total Equity	3,001,459	25,153	(6,916)	3,019,696

The table above shows the following:

- The assets and liabilities transferred in from the ex PCTs/SHAs as at 1 April 2013
- The profit and loss impact shows the amount the Company has had to write off predominantly due to lack of supporting documentation for trade and other payables and provisions, and lack of recoverability for trade and other receivables. This has had a favourable impact on the Company's retained earnings of £25,153k. This is split between several lines in the operating expenses note, with the main part disclosed in the line legacy write-offs.
- The cash utilised amount is the cash paid and/or received by the PCTs and SHAs organisations between the 1st of April to 31st of August. This is reflected through the £18,098k under capital contribution reserve.

Along with the assets and liabilities transferred to the Company, it has also inherited operational risks such as:

- a significant aging debtor balance which the Company has had to create a provision for during the year;
- a significant number of properties with undocumented leases, resulting in the Company applying critical judgements in relation to the revenue charged to its tenants. Refer to the accounting policies for further detail;
- lack of provision recognised in relation to onerous leases and dilapidations; and
- judgement involved in calculating the Company's depreciation expense. Refer to the accounting policies for further detail.