



Moorfields eye hospital

Annual Report 2005-06

Moorfields Eye Hospital NHS Foundation Trust Annual Report and Accounts
Presented to Parliament pursuant to Schedule 1, paragraph 25(4) of the
Health and Social Care (Community Health and Standards) Act 2003

Mission statement

Our mission is to continue as a centre of international excellence for the treatment of eye disease and to be a leader in research and teaching.

To achieve this mission, we will:

- work to be a provider of choice for patients with eye disease;
- be at the leading edge of innovation in ophthalmic practice in providing new models of patient care;
- provide an accessible and cost-effective range of high-quality ophthalmic services for patients;
- develop and participate appropriately in a world-class research strategy with the Institute of Ophthalmology (UCL) and academic partners;
- embrace employment policies which support recruitment and retention of high quality staff, recognising their continuing goodwill as a vital resource;
- expand the available sources of income to support our strategy while containing costs to maximise overall efficiency; and
- raise national and international awareness of the significance of eye care to the quality of people's lives and the advances made and continuing to be made in the means to meet ophthalmic needs.

Contents

Chairman's introduction	4
Chief Executive's introduction.....	6
Operating and Financial Review	7
Summary of the year.....	7
Trust structure	8
Service change - A Shared Clinical Vision	8
Plans 2006/07	9
The International Children's Eye Centre	10
Improving facilities	10
Membership	11
Access to services.....	13
Patient Advice and Liaison Service (PALS)	14
Complaints.....	14
Patient and public involvement	14
Supporting staff	15
Education and Research.....	17
Medical Education	17
Nursing Education.....	18
Research and Development.....	19
Commercial Services	21
Moorfields Private.....	21
Moorfields Pharmaceuticals	21
Other developments and opportunities	22
Charities working together	23
Moorfields Eye Hospital Development Fund	23
The Friends of Moorfields.....	23
Special Trustees	24
Clinical and Corporate Governance.....	26
Clinical	26
General	26
Corporate	26
The Board of Directors	28
The Membership Council	31
Trust Finances - Financial Summary and Statements	33
Annual Accounts	47



Chairman's introduction

This has not been an easy year for Moorfields. Our final accounts show a surplus, but this is lower than we had planned and has required careful management to achieve. Our results show that we were right in predicting that we would treat more patients than our commissioners had contracted for in order to meet their access targets. However, the costs of the centrally negotiated Agenda for Change pay restructuring were greater than we had planned for. We regained our third star in the Healthcare Commission ratings, but the Health and Safety Executive issued two improvement notices after an inspection in the autumn and administrative errors meant that a small but statistically significant number of patients were not seen for their first appointment within the target time of 13 weeks. As a result, our governance systems were graded red by Monitor, our regulator, at the end of the third quarter. Action plans are in place to rectify these issues and the Board is anxious to learn lessons and avoid a recurrence of similar incidents.

This should not obscure the positive developments that have taken place. We have treated more patients than ever before, and surveys show a high degree of satisfaction with the services we offer. Potters Bar has joined the list of sites at which we carry out surgery, bringing treatment closer to people's homes. Our new Clinical Trials Unit will consolidate our position as the world's leading centre for ophthalmic research and lead to the more rapid translation of this research into practical treatments. Building work for the International Children's Eye Centre is virtually on schedule and we expect it to be open before the end of 2006. Other building work, including a completely refurbished and enlarged Eye Bank, is evidence both of the generosity of our supporting charities and donors and the benefits of the borrowing facility available to Foundation Trusts.

2006/07 looks like being an equally challenging year. We are working with our commissioners to see how the new and more demanding future targets can be met at an affordable cost against a background of financial constraints across the NHS. One aspect of this is our intention to reduce in-patient care at the City Road site. This is consistent with practice in leading eye centres around the world. We are working with staff and patients to ensure that this approach has no detrimental effect on the quality of care. It will also lead to financial savings, allowing us to balance the books. We are pursuing a host of other initiatives, both within the NHS and in our commercial activities, designed to give us a sound basis for further service development.

All of this has been very demanding, and I would like to pay tribute to the Board, for their collective wisdom; to the Membership Council for their support and insightful guidance; but above to all the staff, without whose efforts none of this would happen.

A handwritten signature in black ink, appearing to read 'Tom Boyd-Carpenter', written in a cursive style.

Sir Thomas Boyd-Carpenter
Chairman



Chief Executive's introduction

The last 12 months have seen continued development at Moorfields. The success of the services we provide can best be measured by the patient referrals sent to the Trust and once again this figure increased both when compared to the previous year and our budget expectation. Although increased referrals can be seen as a positive endorsement of our services, this can produce significant financial pressure for both the Trust and the PCTs who are paying for our services. We continue to work with a number of PCTs to ensure that activity is managed on a planned basis.

One particular improvement in performance that I would like to highlight is the reduction in the number of patients who do not attend for their first outpatient appointment. This has dropped from nearly 14% of all GP referrals at the beginning of the year to just over 6% at the end of the year.

The continued extension of patient choice within the NHS will bring challenges for the service as a whole and Moorfields in particular. Mechanisms need to be in place to allow patients to exercise real choice both in terms of what hospital they attend and once at that hospital, how their care is delivered. We have invested recently in web-based solutions to allow easy referral to Moorfields Eye Hospital. This system will initially be available to GPs but has been designed in such a way that it can be extended to Optometrists when this is deemed appropriate.

Continuing work within the Trust entitled Shared Clinical Vision involves patients in the future design of their services. This work has been accelerated in the area of day care surgery as a direct result of financial issues faced by the Trust this year.

On a more positive note, development of the International Children's Eye Centre continues to go well and I have no doubt we will be opening the best children's eye department in the world at the turn of the next calendar year.

Although the last 12 months have been difficult for Moorfields given our failure to ensure compliance in the two main areas of health and safety and outpatient appointment times, this should not overshadow the huge amount of progress that has been made in delivering better services to patients.

A handwritten signature in black ink, appearing to read 'Ian Balmer'.

Ian Balmer
Chief Executive

Operating and Financial Review

Summary of the year

Moorfields Eye Hospital became one of the UK's first ten NHS Foundation Trusts on 1st April 2004 under the Health and Social Care (Community Health and Standards) Act 2003.

Being an NHS Foundation Trust has given us increased freedoms to invest in services and plan developments and a greater control of our financial planning and management. As a result, we have been able to make changes that otherwise might have taken years to bring about. We are also better able to plan for the future and create new and innovative models of hospital care.

Staff at Moorfields have again been working hard to see more patients, decrease waiting times and improve the patient experience. In particular we have had continued success through the Shared Clinical Vision, our service improvement project.

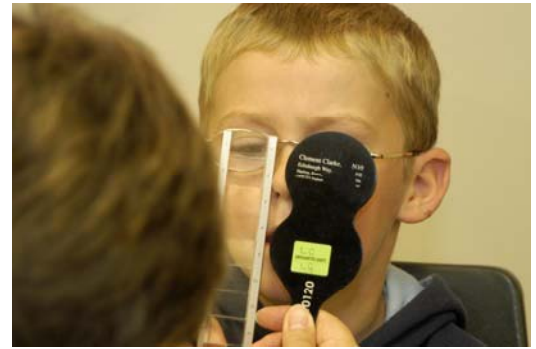
Moorfields provides ophthalmology services across Greater London, Essex, Bedfordshire, Hertfordshire and the rest of the UK. We also provide private care and treatment for international patients. The Trust operates from City Road, London, ECV1 and ten other sites across Greater London.

The key constraint to the business of the Trust is managing within the NHS financial framework whilst achieving or working towards achieving national targets.

Key commissioning relationships are with Islington PCT who now lead the contract process on behalf of other London PCTs for Moorfields services. Other key relationships include the Institute of Ophthalmology (part of UCL); City University (for optometry and nursing); the RNIB and IGA, both of whom are represented on the Membership Council; and with a wide range of voluntary and community groups representing the interests of patients with different eye conditions.

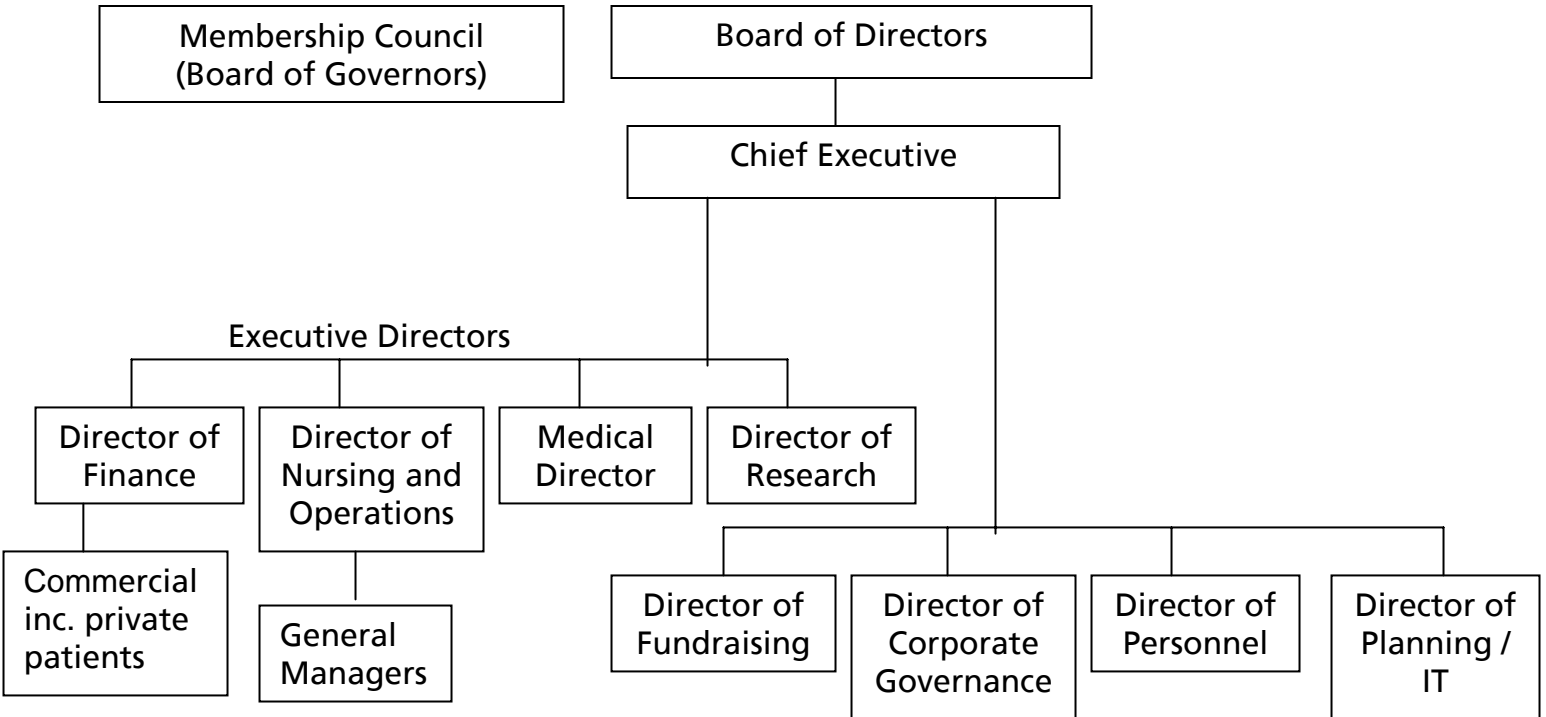
The Trust is conscious of its responsibilities relating to environmental matters and is working to reduce energy consumption, reduce waste production through a total waste management process, and comply with environmental legislation.

The Trust continues to maintain one of the lowest levels of NHS reference costs for ophthalmology services. During 2005/06 we have been working



with auditors on a review of value for money arrangements. Service changes such as the move to ambulatory care will deliver real cost-efficiency savings ensuring Moorfields continues to provide value for money (more information page on these changes page 9).

Trust structure



Service change - A Shared Clinical Vision

The Shared Clinical Vision project forms a key part of our Service Development Strategy and is our route to improving service for all patients. The Vision aims to create patient-centred care models in all clinical services and activities through a consultative process involving staff and patients in shaping service redesign.

Progress in activity areas April 2005 to March 2006

- We have changed the format of our vitreo-retinal clinics to reduce the amount of time patients spend in the clinic. This has been positively received by staff and patients alike.
- A vitreo-retinal emergency clinic with a dedicated team of staff has been developed so that patients are seen and given a diagnosis more quickly.

- Specialist nursing and pharmacist roles in the Glaucoma and Uveitis services were developed. These are improving care and the dispensing of medications and reducing waiting times in clinics.
- Staggered appointment times have been introduced in several clinics to provide a more flexible service for patients.
- New clinical information leaflets for patients are being developed in partnership with patients using those services.
- Booked laser and fluorescein angiography lists have been introduced to reduce waiting times.
- An extended role in optometry has been developed to improve the care and management of patients with stable glaucoma.
- We have introduced 'one-stop' same-day pre-assessment and surgery in cataract care to enhance the patient experience and reduce visits to hospital.
- LCD (television) screens are now available in the Accident and Emergency department waiting areas, displaying patient information videos.
- Health Care Assistants are now employed in the outpatient department to support patients, undertake observations and help co-ordinate clinics.
- Information boards have been installed in clinics to give patients key information about each clinic, such as clinic waiting times and name and contact details of key staff.
- A review of patient letters has been undertaken and new templates written.

Plans 2006/07

A thorough review of existing clinical services and how they were being delivered began in January 2006 alongside the *Shared Vision* work. This demonstrated that the Trust was doing increasing amounts of day-care procedures, and yet was still providing a large number of in-patient beds. It also demonstrated that there was a top-heavy ratio of qualified staff and that this was exacerbated by the implementation of Agenda for Change. Work to address these issues will be implemented during 2006/07 and will take Moorfields' main site, City Road, further towards an ambulatory service. Work is also being undertaken looking at the skill-mix of nursing staff and the way in which staff in the operating department work. The main areas of work are:

- The development of day-care/ambulatory care at City Road and a move away from in-patient care. This is more beneficial to patients and in line with best practice in ophthalmology in other centres.
- The provision of suitable hostel accommodation to replace in-patient beds used by patients travelling to the hospital from outside London and the south-east.

- A review of the nursing skill-mix, Trust wide, following the implementation of Agenda for Change.
- The development of an enhanced pre-assessment service to align it with specific clinical services.
- A review of working practices in the operating department to provide a more flexible service.

The International Children's Eye Centre

Our largest on-going development, the building of an international children's eye centre adjacent to the main City Road site, is on-schedule for completion in September and opening in December 2006. The project received a tremendous boost in February when an amazing £2.5million donation from Moorfields patient and owner of the Express newspaper group, Richard Desmond, was announced. In recognition of this very significant donation, the new building will be called the Richard Desmond Children's Eye Centre.



The centre will include outpatient clinics, paediatric accident and emergency, a day care ward, overnight hostel accommodation and a dedicated research floor. It will be physically linked to the main hospital so that staff can easily access the building and patients can be taken into our existing theatre facilities, but will have a separate entrance for visitors.

Work in progress as at May 2006, left. The façade is almost complete under the hoarding.

Improving facilities

A number of other developments and improvements to the physical environment of our hospital and clinics have been undertaken or are in development. These include:

- The redevelopment of the front entrance of the main hospital on City Road, EC1, is underway. The current main entrance, which is part of the listed façade of the building, has unsatisfactorily steep and dangerous steps. This will be closed off and a new ramped entrance will be built which will be much more easily accessible to all visitors. The accident and emergency department doors have been rebuilt to provide a wider entrance, more natural light into the waiting area, and better draught-

proofing. Building work to move the main reception desk to the new outpatient doors is on-going and on course to open in September 2006.

- The Potters Bar clinic is now providing a larger and better-equipped facility as well as day care surgery on site.
- The Eye Bank, which stores and processes donated tissue for corneal transplants, is being fully redeveloped.

Membership

One of the very significant differences between an NHS Foundation Trust and an NHS Trust is the existence of members. These are patients, interested members of the local public and staff who, through the membership scheme, are more directly involved in the running of the Trust. This is in part through the creation of a new body in the governance structure of the Trust, the Membership Council. Seventeen (53%) members of the Council are elected from and by public and patient members, and staff members elect an additional three Governors. More information on the Membership Council is included below.

Membership numbers currently stand at just under 11,500. A small membership team looks after the database and individual members.

Member benefits include:

- quarterly newsletters with information and updates on developments at Moorfields and eye health information;
- invitations to membership events including the AGM and local constituency events; and
- eligibility to stand for and to elect representatives of the Membership Council.

A membership strategy has been developed which aims to build the relationship between the Trust and our members, through regular communication and more opportunities for members to express their views and get involved. As part of this we have organised membership events across most of the public constituencies.

Five membership events were held during 2005/06, in South East London, South West London and North Central London. Additionally an event was held in Essex in April 2006. Senior staff from Moorfields, including the Chief Executive, Director of Planning and Performance, Director of Corporate Governance and several Consultants, as well as public Governors, spoke at these events. Presentations were followed by general discussion. Topics included Moorfields' service delivery strategy, local health needs and local projects.

Moorfields held its first ever Open Day at City Road in October 2005, to which all members were invited. Around 1,000 people attended. Visitors had the opportunity to look round around 20 stalls with information on different departments, on eye disease and treatment, service plans like the children's centre and Choose and Book and on external organisations such as the RNIB and IGA. Tours of theatres, optometry, pharmacy and the laser suite were organised and were fully booked throughout the afternoon. There were also activities for children including face painting and a treasure hunt.

Around 150 members and members of the public also attended our AGM, which was once again held off-site at LSO St Luke's, a deconsecrated church a short walk from the main site.

Membership criteria

- Anyone over the age of 14 who is or has been a patient at any of Moorfields' clinics is eligible to become a member.
- Anyone over the age of 18 who lives in London, Bedfordshire, Hertfordshire or Essex can become a member of Moorfields' public constituencies.
- Anyone who is a member of Moorfields staff and holds a substantive contract or a contract of over 12 months is automatically registered as a member unless they opt out.

Constituency	Number of members as at March 2006
Patient • includes any patient not living within the public constituency boundaries or any patient who has chosen to be in the patient constituency	1,300
Public	
• North East London	1,632
• North Central London	1,897
• North West London	2,299
• South East London	871
• South West London	965
• Bedfordshire and Hertfordshire	669
• Essex	549
Staff	1,305



Access to services

Although Moorfields is based at City Road, in central London, we have been working strategically for over ten years to support patient access to our services by creating a number of Moorfields ophthalmology services in hospitals and clinics in areas in and around London. About 70% of our new patients are now seen at one of our community sites, and we continue to work to improve facilities and to make accessing our services simpler and easier for all our patients.

Meeting targets

The Trust has consistently met the A&E target throughout the year, which requires 98% of all patients to be seen within four hours. On a number of occasions 100% of patients presenting to A&E were seen within 4 hours.

The vast majority of our patients are seen within 13 weeks of referral by their GP and booked for surgery within six months of their outpatient appointment. We are working towards meeting the Government target of an 18-week wait from referral to treatment by December 2008. The average wait for surgery during 2005/06 was 3.32 months and 10.11 weeks for first outpatient appointments.

PCTs continue to contract with us. 77 contracts, covering some 250 PCTs and totalling nearly £50 million in value, have been signed.

Statistics

	2005/06
Number first outpatient attendances	72,947
Number follow-up outpatient attendances	177,345
Total surgical procedures	22,559
% of surgical procedures which are day case	80%
Average wait for surgery (in months) at March 2006	3.32
Average wait for first outpatient appointment following GP referral (in weeks) at March 2006	10.11
Number on waiting list (surgery) at March 2006	3,265
Number on waiting list (outpatients) at March 2006	5,649

Star ratings

We were once again awarded three stars in the annual Healthcare Commission ratings in summer 2005.

Patient Advice and Liaison Service (PALS)

The PALS team aims to provide patients, carers or relatives with on-the-spot help, advice or support. In 2005/06 the PALS team handled 1,200 queries, a 50% increase on the previous year. The majority of queries were around communication, a weakness also highlighted by the Healthcare Commission's survey. Feedback has been given to the Trust's general managers to enable improvements to be made. Queries regarding appointments were also identified as a major source of frustration. It is hoped that the launch of the Booking Centre and the introduction of Choose and Book will reduce problems experienced with this area.

Complaints

This year 314 complaints were received by the Trust, a small increase of 8.3% on the previous year. However outpatients attendance numbers have also increased. The Chief Executive investigated and responded to all complaints.

Patient and public involvement

Patient involvement continues to be a valuable tool to enable us to shape the hospitals' services around the patient. Focus groups have been held to better understand the problems experienced in the outpatient clinics. This has enabled patient pathways to be reviewed and improve the efficiency of the clinics. Patient information is being reviewed by patients to ensure information is easy to read and easy to understand. Patients sit on committees, such as the Governance Committee and the Risk and Safety Committee and they also sit on interview panels for senior appointments.

We complete the Healthcare Commission's patient surveys and in addition use supplementary surveys to probe any weaknesses identified. We are also looking at the traditionally 'hard to reach' audiences, including the BME groups to ensure their needs are also considered when planning our services. One particular area that is currently being reviewed is our support for our non-English speaking patients.

Supporting staff

Our staff are essential to what we do and this year we were proud to be included in the Guardian's top 100 employers again. This annual publication ranks organisations according to a number of factors, some of which, such as remuneration and foreign travel opportunities, are difficult for an NHS organisation to compete on.

Nevertheless, we were ranked 34th out of the organisations included in the publication, above household names such as Adidas, Deloitte and HMV. We were the only public sector organisation to be included in the publication.



Improving Working Lives (IWL)

We were externally validated in May 2005 and awarded the IWL *Practice Plus* accreditation almost a full year ahead of the Department of Health target date of April 2006. This followed a huge amount of work across all the dimensions of the IWL scheme. The work has continued and this year we held two staff 'open days' with stalls on staff benefits, information on pensions, NHS discounts, local stop smoking services, the national home buyers scheme and offers from local businesses such as local gyms. We also gave staff the opportunity to take advantage of the Home Computing Initiative in December 2005 and had planned to repeat this scheme again, plans only to be thwarted by the Government's spring budget which took away the tax benefits.

Pay

The enormous task of moving staff onto the new pay system, Agenda for Change (AfC), has been ongoing since 2003. By March 2006 we had assimilated 100% of relevant staff on to AfC. We are now dealing with the appeals and are on target to have them concluded by the end of June 2006. We officially 'mainstreamed' AfC at the end of March.

Partnership Working

Partnership working and staff involvement have already been mentioned in the context of Improving Working Lives, Agenda for Change and the Shared Clinical Vision. The Joint Staff Consultative Committee remains the formal forum for the management/staff interface but with many of the same people working on the initiatives this has assumed less importance during the year. Nevertheless we expect it to continue and are examining ways of reinvigorating the forum in the coming year.

Moorfields as a local employer

As we provide services on a number of sites in and around London, we have a very wide 'local' definition. Depending on the size of the services run on each of the sites, some (such as the main City Road site) offer more opportunity for employment than others. Where appropriate we have advertised in local and ethnic press to encourage applicants from the local area. We are members of, and continue to support, the Hackney Training and Employment Network in its work in the London Borough of Hackney.

Training and development

The last year has seen many changes in the provision of non-clinical training and development of staff. One of these is the move of The Learning Centre into new premises. This has provided a modern, flexible, purpose-built learning environment allowing a wide variety of training to be delivered including a re-designed MOLE open learning facility. The majority of non-clinical training is now focussed on The Learning Centre and this has improved the efficiency and management of staff development, especially for new staff. At the same time, there has been a renewed emphasis on training and development across the Trust this year, resulting in a massive increase in the use of The Learning Centre and highlighting its key role in supporting strategic Trust initiatives. The Knowledge and Skills Framework has also been influential in driving forward appraisals across the Trust, but its major benefits will only be realised in the coming years.

Equal Opportunities

We continue to be acknowledged as an equal opportunities employer and we have undertaken a number of activities through the Equality and Diversity leads to further support equal opportunities for all staff. Disabled staff and prospective employees are fully supported to enable them to work at Moorfields. Policies governing applications made by disabled people and for the continuing support of disabled employees were applied as appropriate during the year. The Employment of Disabled Persons Policy was updated in December 2005.

Communications and staff involvement

We continue to work to communicate effectively with staff, and this year undertook an external review of our internal communication. This highlighted some areas where we could improve our activities. Consequently, we introduced a monthly Chief Executive's bulletin to brief staff about key issues arising from the Board meeting; renamed and redesigned the staff newsletter to encourage staff to read it and find out about corporate and staff news and issues; and begun work on redesigning the staff intranet, due to be complete by July 2006. The communications team has also actively supported the staff social committee and is working

through the Improving Working Lives scheme and with elected staff Governors to involve staff in Trust activities.

A staff consultation began in April 2006 around planned changes to service at City Road, the skill mix ratio and changes to working practices in theatres. This will be on-going throughout the summer. Staff have been kept informed through roadshows, presentations, emails, bulletins, the intranet and articles in the staff newsletter and in the membership newsletter.

Occupational Health service

Following a review of our existing provision of Occupational Health service, the Trust decided to invest further to enhance the service available to staff. The OH service from the Royal Marsden Hospital was engaged with effect from 1st August 2005. A new location in the Trust has been identified for the service; new bespoke software and computers purchased; and regular, on-site consultations with a specialist doctor are now available.

Education and Research

Education of nursing and medical staff, both from Moorfields and from other centres and countries, continues to be one of Moorfields' main missions.



Medical Education

We continue to teach undergraduates from the Royal Free, UCLH, Imperial College and St. George's Medical School, who come to Moorfields clinics for their two-week teaching in ophthalmology. A significant number of undergraduates also came to us for their elective attachments in ophthalmology. Specialist Registrars come to Moorfields as part of their North London rotational training scheme in ophthalmology but spend an average of three out of their five years at Moorfields. We also attract Fellows from across the UK and the world who come to experience our high-quality training and clinical work. These range from research-based to largely clinical posts. All posts are advertised and recruitment is through a competitive interview process.

A number of short training courses on various aspects of ophthalmology and ophthalmic anaesthesia are organised each year which are open to all appropriately qualified professionals. This year over 600 delegates attended one of these courses.

The Trust also accepts Observers from around the world who can attend clinics, examine patients, observe surgery and sit in on appropriate teaching sessions though they are not allowed to treat patients. Our Observer programme was fully booked throughout the year, and 215 people visited the Trust.

Nursing Education

Moorfields Eye Hospital NHS Foundation Trust is committed to the education and development of its staff. We believe there is a direct correlation between knowledgeable and competent practitioners and excellence in patient care. As a major ophthalmic teaching centre, we support various staff groups through formal education, in-house training and skills development.

We have therefore committed to a graduate nursing workforce and are supporting staff to complete both MSc (four staff at present) BSc programmes (ten staff are enrolled on various programmes) as part of a continuing professional development plan. We have also had three cohorts of students successfully complete the new ophthalmic modules offered at City University since last year.

Last year we launched a clinical skills programme and leadership programme in collaboration with City University. Based at Moorfields, these bespoke programmes were in response to the changing demands of the service and in preparation for the changes in future. We are continuing to offer these courses over 2006/07. With the changes in the formulary we are also looking to develop extended roles in nurse prescribing, particularly in A&E to enhance 'see and treat' times and improve patient services generally.

General in-house mandatory training has included adult and paediatric basic life support and intermediate life support. We have now completed training for over 400 front line staff including medical staff and consultants, nursing and other clinical groups such as the orthoptists. In addition there is a robust programme of lectures and study days covering a wide range of practical subjects.

Last year also heralded the recruitment of a group of health care assistants who work largely in the outpatients clinics. These staff participate in a skills-based training programme as part of an extended induction to prepare them for their new roles at Moorfields.

Research and Development

The research and development department at Moorfields has as its major functions:

- identifying areas of research needed;
- helping to develop research programmes resulting from that need;
- providing the support for individual projects; and
- helping to disseminate the results.

Research at Moorfields is carried out either alone or with our partner academic institutions (the Institute of Ophthalmology, City University, the London School of Hygiene & Tropical Medicine) or with other clinical collaborations within the United Kingdom and internationally.

During the year ending in March 2006 the following areas of work within the department were undertaken.

- The further development and support for the research strategy that was ratified by the Trust Board in May 2005. To that end we continue to work towards a joint research strategy with the Institute of Ophthalmology.
- To maintain the high standards of research governance and compliance with all relevant statutory obligations.
- To continue to develop the Specialist Eyes and Vision Library within the National Library for Health. The original project has been completed but the work in this area has been extended to cover the 'Do Once and Share' glaucoma project.
- To continue to develop the Ophthalmic Research Network, facilitating collaboration with academic eye units within the United Kingdom.
- To develop clinical effectiveness within the clinical governance infrastructure focusing on care protocols for specific diagnosis. This includes the development of guidelines, protocols and standard operating procedures for the Trust.

In addition to the work outlined above, the objectives for 2006/07 are focused on the Department of Health "Best Research for Best Health" research strategy and include:

- to work towards a joint R&D office and support system with the Institute of Ophthalmology;
- to apply for new areas of research funding from the National Institute of Health Care Research;
- to apply for funding for new technology platforms in diagnostic imaging;
- to achieve biomedical research centre status;
- to contribute to the development of the NIHR faculty;

- to co-ordinate programmes of research activity and respond to calls from NIHR for funding such programmes;
- to develop research resource groups as a means of costing and sponsoring research protocols, making research costing more transparent and bringing it in line with the new requirements for NHS R&D funding; and
- to develop a clinical research facility complementing the clinical trials unit and the reading centre.

Clinical Trials Unit

The newly established Clinical Trials Unit (CTU) opened in January 2005 and has since welcomed hundreds of patients. Over 30 trials have taken place, including new treatments for conditions such as thyroid eye disease and diabetic retinopathy. The work of this important facility, situated close to the R&D department on the second floor of the main City Road site, will continue.

Commercial Services

Income from our commercial services continues to provide significant support to our NHS patients.

Moorfields Private

Moorfields Private had a successful year and contributed £7.3million income to the Trust. A number of new initiatives were undertaken in 2005. The Arthur Steele Unit was opened at 205/207 City Road. The unit comprises of outpatient Consulting Rooms and examination suites. The Refractive Service and a number of Consultants are based at the unit. The John Saunders outpatient Suite is also being refurbished.

Moorfields Private is now embarking on an exciting project as it will be opening a new outpatient facility at 8 Upper Wimpole Street. The unit will contain Consulting Rooms and a diagnostic service and it is also looking at developing a Walk in Service.

A number of Marketing Initiatives were also carried out including attending promotional events as well as advertising and editorial campaigns. Optometrist Open Evenings were also held to promote the unit.

Moorfields Pharmaceuticals

Moorfields Pharmaceuticals achieved a 52% increase of sales from £1.4million in 2004/05 to £2.1million in 2005/06. A number of factors contributed to the sales improvement but in particular stock availability across the product range and opening new customer accounts were the major components. Costs were controlled in line with budget. However, further delays in the award of the Marketing Authorisation for Hypromellose unit dose eye drops by the Medicines and Healthcare products Regulatory Agency (MHRA) resulted in the overall sales target not being met.

Work with Moorfields Consultants led to the introduction in March 2006 of a new product, presented as a pre-filled syringe, to be used in the treatment of AMD. Resources were also focussed on product development and process improvement which will provide the foundations for efficiency gains, new product introductions and the establishment of contract manufacturing activities e.g. for clinical trials, in the coming year.

Exploratory work was carried out to develop export markets and discussions are progressing to supply products to Saudi Arabia, Eire, Singapore and Dubai.

The manufacturing facility was inspected by the Medicines Healthcare products Regulatory Agency (MHRA) in September 2005. The outcome was satisfactory and our licences duly maintained. An integrated packaging line, incorporating labelling and cartoning, was installed in January 2006 and will improve the quality and efficiency of packaging activities. The first phase of the business management system was introduced in January 2006 providing sales order processing, stock and sales ledger functions.

The development of the Moorfields Pharmaceuticals team has continued with the successful introduction of an organisation wide communications programme led by a cross-functional team to facilitate and enhance two-way communication. The development of appropriate HR practices including a relevant appraisal system were implemented during the year.

Other developments and opportunities

The Board is continually exploring other opportunities and developments for increasing the income of the Trust. One such opportunity is overseas expansion to take advantage of Moorfields' brand and reputation. The Trust has been exploring the opportunity to run a clinic and surgical centre in the 'Health Care City' in Dubai, and talks are on-going. A project management team has been set up and a Medical Director for the Dubai clinic is due to lead the project when he takes up his post in July.

Other commercial ventures being explored include Moorfields Developments, which will take research undertaken at Moorfields and its partner the Institute of Ophthalmology (part of UCL) to market.

Charities working together

Moorfields Eye Hospital Development Fund

The Development Fund is an independent charity, principally involved with building projects associated with Moorfields and currently focused on raising money for the development of the world's leading children's ophthalmic centre which is scheduled to open during November 2006. Fundraising is continuing in order to fully equip the building. For further information or to make a donation, please contact:

Development Fund office
Moorfields Eye Hospital
City Road
London EC1V 2PD
Email: developmentfund@moorfields.nhs.uk

The Friends of Moorfields

The Friends have supported the work of Moorfields Eye Hospital since 1963, focusing on supporting patients and visitors. The current major project continues to be the Children's Eye Centre and its family accommodation unit. In this endeavour they are in partnership with Ronald McDonald's Children's Charities.



The Friends, supported by more than 100 volunteers, also provide the following services:

- outpatient shop and trolley service to the wards and waiting areas;
- information desk in the outpatient reception area ;
- personal support for patients at clinics;
- Radio Moorfields evening service for inpatients;
- talking books for inpatients;
- the cafeteria;
- patient information literature and videos;
- funding for a children's play worker; and
- the provision of technical apparatus and other items for the well-being of patients.

As a registered charity, The Friends of Moorfields is active in its fundraising with a variety of events and activities:

- donations, bequests and membership subscriptions;
- the annual Eye Ball, children's concerts, garden parties and lunches;
- sponsored events;

- collecting days at stations and stores;
- collecting boxes in homes and businesses; and
- regular bookstalls and sales of donated goods.

To find out more about the Friends or to make a donation please contact:

The Friends of Moorfields
Moorfields Eye Hospital
City Road
London EC1V 2PD
telephone 020 7251 1240
email: friends@moorfields.nhs.uk.
Website: www.friendsofmoorfields.org.uk

Special Trustees

The Special Trustees is an independent charity that works very closely with Moorfields with a wide remit to support the main objectives of the hospital. The charity predominantly supports research aimed at providing solutions to various eye conditions. Trustees allocate about 70% of their annual spend to research, with the balance for specialist equipment purchases, staff development, and other patient and staff welfare issues.

The majority of grants are made to Moorfields and its principal research partner, the Institute of Ophthalmology. The grants support the Trust's research programme by funding research fellows and specialist equipment. The research programme is focussed on obtaining the maximum impact from improved clinical care and outcomes for patients.

Projects supported range from pure research, clinical trials, to rehabilitation for those with sight impairment. In the last year, this included research into cell biology, stem cell technology, molecular genetics and phenotyping, and research into age-related macular degeneration, retinal detachments, glaucoma, and corneal surgery techniques.

Grants were also made for other areas of patient and staff welfare - for example, supplying flowers to brighten the ward areas, contributing to costs of further education and development of staff and marking the staff's efforts by providing everyone with a Christmas lunch.

The Trustees wish to express their gratitude to all donors in the year, especially from legacies, for their continued and vital support for the present and future needs of sight-impaired people and the work of Moorfields. The

Trustees were again pleased to provide grants well above Moorfields' initial expectation as a direct consequence of the generosity of donors.
To find out more about the Special Trustees and how you can contribute, please contact:

The Clerk to the Special Trustees
Moorfields Eye Hospital
City Road
London EC1V 2PD
Tel: 020 7566 2643
Email: graham.oxenham@moorfields.nhs.uk

Clinical and Corporate Governance

Clinical

This year we have:

- been assessed against the Clinical Negligence Scheme for Trusts (CNST) standards and successfully retained level 2 compliance;
- produced a new Clinical Governance Strategy;
- reviewed and updated the Risk Management Strategy and Policy;
- volunteered to pilot the new NHS Litigation Authority (NHSLA) Risk Management Standards;
- demonstrated on-going, active participation in the National Patient Safety Agency (NPSA) 'Clean Your Hands' campaign;
- started to develop pre-printed consent forms for certain procedures (e.g. routine cataract surgery);
- introduced an equipment trial request/product assessment form;
- published a new Resuscitation Policy;
- published a new Adult Medical Emergencies Policy;
- purchased new adult resuscitation training equipment;
- identified and trained four members of staff to deliver adult Basic Life Support (BLS) and Automated External Defibrillator (AED) training;
- deployed AEDs and trolleys at the City Road site;
- agreed standardised resuscitation equipment lists and deployed the equipment in designated clinical areas; and
- ensured that the Trust is compliant with the new Resuscitation Council Guidelines that were published in November 2005.

General

- The Trust has purchased and implemented an integrated risk management database. The system enables the relevant managers to easily identify links between incidents, claims, complaints and PALS enquiries. It also records information governance issues (e.g. Freedom of Information requests) and can generate documents such as risk registers and the assurance framework.
- We successfully connected the incident module of the risk management database to the NPSA's National Reporting and Learning System (NRLS).

Corporate

Corporate governance encompasses: risk and safety management; equality and diversity; communications; corporate affairs and litigation; information governance; foundation trust governance arrangements; and external liaison with bodies such as the Healthcare Commission and Monitor. 2005/06 has

proved a challenging year with a number of external reviews and assessments undertaken with mixed results.

Progress 2005/06

- The Trust Board implemented the assurance framework for the six key risks facing the Trust during the year. Each risk was managed by an Executive Director and faced rigorous review by the Audit and Governance Committees throughout the year. The Trust submitted a final declaration of 'Almost Met' against the Healthcare Commission's Standards for Better Health with non-compliance against just three of the 24 core standards; these related to the HSE improvement notices (see below) and mandatory training. Each standard is supported by an action plan and full compliance will be achieved in the coming year.
- The Health and Safety Executive carried out an inspection of the Trust's health and safety practices and issued two improvement notices. These were related to a lack of written risk assessments and associated management action plans at local level. A Trust-wide plan has been in place since December 2005 to improve its risk assessment management processes in time for the HSE's review in June 2006.
- The Trust moved from a green risk rating for Governance from Monitor (Independent Regulator of NHS Foundation Trusts) to amber to red as the year progressed. The red rating was allocated due to the Trust breaching the terms of its Authorisation to operate as an NHS Foundation Trust for failure to report a breach of a key NHS target and as a result of the two HSE improvement notices.
- Moorfields continued to develop information governance policies and practices.
- Equality and diversity: the Race Equality Scheme and action plan were reviewed in May 2005; the Ethnic Network Group was formally launched on 31st March 2006 and the Disability Forum for staff met for the first time; we promoted the multi-faith calendar; introduced multi-faith training sessions for staff; continued to improve the data collection for both staff and patient ethnicity; and contributed to the Equality and Diversity elements of Improving Working Lives Practice Plus.
- The Communications Strategy and membership communications strategy were implemented. Following the Board Awayday in June 2005 we undertook a review of internal communications with the support of external. The Communications department continued to work with staff and patients on improvements to patient information, including redeveloping the website.
- We held five membership events across the constituencies and an Open Day at City Road. Approximately 1,000 patients and members attended events during the year.

The Board of Directors

Moorfields Eye Hospital NHS Trust was established on 1st April 1994 and became an NHS Foundation Trust on 1st April 2004. The Board comprises the Chairman, five Executive Directors and five Non- Executive Directors. The Board meets in public each month to set the overall strategic direction and address major policy issues.

All Executive Directors have been appointed via properly constituted appointment panels and no director is currently on a fixed term contract. Contracts can only be terminated through personnel policies that cover all staff. Appointment of the Chairman and Non-Executive Directors is a statutory responsibility of the Membership Council (Board of Governors of an NHS Foundation Trust). The Trust's constitution allows for a Nominations Committee comprising representatives of the Membership Council and the Trust Board and an independent assessor. During 2005/06 the Nominations Committee recommended the reappointment of the Deputy Chairman and the appointment of the Non-Executive Director representing the Institute of Ophthalmology.

Chairman

Sir Thomas Boyd-Carpenter - appointed for three years from 1st April 2005.*
Sir Thomas' professional background is in the Armed Forces.

Non-Executive members

Ian Hollows - appointed for three years from 1st December 2004. Ian is an accountant.

Elkan Levy - appointed for two years from 1st April 2005.* Elkan is a solicitor.

Clive Nickolds - appointed as a Non-Executive Director and Deputy Chair for three years from November 2005.* Clive's professional background is as a retail director.

Maggie van Reenen - appointed for three years from 1st April 2005.*
Maggie's professional background is in PR management.

Professor Adam Sillito, representing the Institute of Ophthalmology - resigned December 2005.

Professor Phil Luthert, representing the Institute of Ophthalmology - appointed for three years from February 2006. Phil is Director of the Institute of Ophthalmology.

* Held previous appointments as Chair or Non-Executive Directors for Moorfields Eye Hospital NHS Trust and then as interim Chair and Non-Executive Directors for a period from 1st April 2004 for Moorfields Eye Hospital NHS Foundation Trust. Substantive appointments are those made above.

Executive members

Bill Aylward, Medical Director
Ian Balmer, Chief Executive
Sarah Fisher, Director of Nursing and Operations
Roger Hitchings, Director of Research and Development
Ian Knott, Director of Finance
Heather Lucas is Secretary to the Board

The Board is also supported by three senior directors: Sandra Adams, Director of Corporate Governance; Ken Gold, Director of Personnel; and Brian Benson, Director of Performance and Planning.

The Board has three sub committees.

- **The Audit Committee** is responsible for ensuring compliance with internal financial regulation applying to NHS Trusts.

Members are:

Ian Hollows, Chairman
Clive Nickolds
Maggie van Reenen

- **The Remuneration Committee** is responsible for setting the pay and terms of employment of executive directors and other Board-level posts. The committee is chaired by the Chairman of the Trust Board and comprises all the Non- Executive Directors.

Remuneration Report

Remuneration levels of directors and senior managers are revised annually following performance appraisal. Agenda for Change does not affect this group of staff. The Trust uses a management by objectives appraisal system to assess whether performance conditions are met. This was chosen as the most appropriate system. Senior managers hold permanent contracts. Further details of remuneration is shown in the summary financial statements.

- **Governance Committee**

Chair: Clive Nickolds, Non-Executive Director

Members are:

Sandra Adams, Director of Corporate Governance
Bill Aylward, Medical Director
Ian Balmer, Chief Executive
Malcolm Barrow, Public Governor
Brian Benson, Director of Performance and Planning
Caroline Carr, Clinical Risk Lead
Parul Desai, Public Health Consultant

Sarah Fisher, Director of Nursing and Development
Ken Gold, Director of Personnel
Pauline Grace, PCT representative (Islington PCT)
John Green, Public Governor
Roger Hitchings, Director of Research and Development
Ian Knott, Director of Finance
Secretary to the Committee: Julie Baxter, Risk and Safety Manager
Ex-officio member: Roger Brearley, external auditor

The Membership Council

The Membership Council was established on 1st April 2004 to comply with the Health and Social Care (Community Health and Standards) Act 2003, to represent the views of members and stakeholders to the Board of Directors and the management of Moorfields Eye Hospital NHS Foundation Trust. The Council met six times during 2005/06 and continued the mixed programme of business, strategy and service development and information sharing for governors.

This year, the Service Development Strategy and Annual Plan were reviewed with the Membership Council. The Membership Council approved the re-appointment of the Deputy Trust Chair for a further three years and the appointment of the Non-Executive Director representing the Institute of Ophthalmology and approved an uplift in the remuneration of the Trust Chair and Non-Executive Directors.

Elected Governors

The balance of Governors on the Membership Council are elected by patient and public members of the NHS Foundation Trust, and an additional three Governors are elected by staff members. On behalf of patients, public and staff, elected governors will:

- represent the interests of members of the Foundation Trust;
- influence decisions about spending and service developments; and
- appoint the Chairman and the Non-Executive members of the Board of Directors.

This year, elections were held for governors for each constituency. Four governors were elected uncontested, which left ballots to be held in five constituencies.

Nominated Governors

As well as elected patient, public and staff governors, a number of Governors represent the views of Moorfields' stakeholders. These are Islington Council, seven Primary Care Trusts from within our community area, two Universities who work with us and two patient representative groups. These Governors are nominated by our partner organisations.

Moorfields Eye Hospital NHS Foundation Trust Membership Council

The Council is chaired by Sir Thomas Boyd-Carpenter, Chairman of the Board of Directors.

Elected Governors:	
Name	Representing:
Malcolm Barrow	Public: Beds and Herts
Jane Colebourn NC	Public: Beds and Herts
Jayne Cottee	Public: Essex
Bill Tidmas *RC	Public: Essex
Raymond Harris **VC *RC stood down 31st March 2006; Paul Murphy elected with effect from 1st April 2006	Public: North Central London
John Green *RC	Public: North Central London
Valerie Evans (deceased); Victor Stone elected with effect from 1st April 2006	Public: North East London
Peter Williams	Public: North East London
Patricia Campbell	Public: North West London
Sir Ian Rankin	Public: North West London
Andrew Hill ***NC *RC	Public: South West London
Alex Nicholson	Public: South West London
Solomon Parry	Public: South East London
Adrian Cory stood down 31st March 2006; Position vacant pending elections in July 06	Public: South East London
Robert J Jones	Patient
Lynne Peachey NC stood down 31st March 2006; Michael O'Dwyer elected with effect from 1st April 2006	Patient
John Bird *RC	Patient
Ali Safiee	Staff
Jonathan Dowler	Staff
Bronwen Gibbs stood down 31st March 2006; Alison Davis elected with effect from 1st April 2006	Staff
Nominated Governors:	
Clr Jyoti Vaja NC	Islington Council
Fran McSweeney	Patient Interest Group - RNIB
David Wright	Patient Interest Group - IGA
Prof Bob Lieberman	University partner - UCL
John Lawrenson	University partner - City University
Joel Bonnet	PCT: Beds and Herts
Bryan Heap	PCT: Essex
Richard Ellis replaced by Louise Tranmer	PCT: North Central London
Eugene Staunton replaced by Penny Smallwood	PCT: North East London
Nick Curtiss	PCT: North West London
Stephen Evans	PCT: South West London
Vacant	PCT: South East London

* RC Member of the Remuneration Committee; **VC Vice Chair of the Membership Council; ***NC Member of the Nominations Committee

Trust Finances - Financial Summary and Statements

2005/06 saw the Trust performing successfully in a very difficult environment and achieving the required risk rating at the year-end. All monitoring targets and control mechanisms set by Monitor were complied with.

The financial performance for 2005/06 met with significant challenges during the year, resulting in large variations when comparing outturn to plan. The table below presents both a high-level representation of and comparison to the plan and actual performance for the year.

All figures in £million	2005-06		
	Plan	Actual	Variance
Income			
Clinical Income			
- NHS	56.84	56.08	(0.76)
- Private Patients	7.35	7.29	(0.06)
- Moorfields Pharmaceuticals	2.78	2.15	(0.63)
Non-clinical Income	12.73	14.63	1.90
Total Income	79.70	80.15	0.45
Expenditure			
Pay Costs	49.89	52.52	2.63
Non-pay costs	23.64	23.21	(0.43)
Total Expenditure	73.54	75.73	(2.19)
EBITDA	6.16	4.42	(1.74)
Net Surplus	1.24	0.02	(1.22)

The variances are clearly shown although the reasons for such swings are few in number.

NHS Clinical Income

During 2005/06, PCTs continued to contract at unrealistic levels of activity and therefore it was not unreasonable to provide for a certain amount of over-performance. The 1.3% shortfall in NHS clinical income therefore is as a direct result of some of the planned level of overperformance not coming to fruition.

Income from Private Patients

The 2005/06 plan was set with caution and as a result the outturn only fell short by 0.81%. Over-performance against plan in both inpatient and outpatient activity was overshadowed by continuing poor performance in activity relating to Lasik surgery. The comments made last year by the National Institute of Clinical Excellence (NICE) regarding Lasik have still had the effect of depressing the market, which is now only just showing signs of minimal recovery.

Non-Clinical Income

This area of activity overperformed against plan by 14.9% (£1.9million), the most significant items being:

- Non-tariff income in relation to Photo Dynamic Therapy (PDT) exceeded plan by £0.3million. This procedure requires prior authorisation by PCTs and demand is continuing to increase.
- A payment relating to the High Cost Element grant for Agenda for Change was not included in the plan. This amounted to £0.5million.
- The Trust received additional income of £0.5million in relation to clinical trials.
- On the negative side, Moorfields Pharmaceuticals, the Trust's trading arm for the manufacture of pharmaceutical products, did not achieve its sales target by £0.6million (17.3%). The most significant reason for this shortfall was outside the Trust's control and relates to delays by the Medicines Inspectorate in approving a licence for the manufacture of one particular drug, which was key to the business plan.

Other Income

This category of income represents 18.25% of total income and is analysed in greater detail below.

Other Income (in £M)	Plan	Actual	%
Research & Development	5.21	5.17	35.34
Education & Training	3.54	3.41	23.31
Other			
Charitable & other contributions to expenditure	1.99	1.20	8.20
Transfers from donated asset reserve	0.51	0.45	3.08
Various Fees & Charges	1.14	1.11	7.59
Other	0.34	3.29	22.49
	12.73	14.63	100.00

Pay Costs

The high cost of the Agenda for Change pay review significantly outstripped our provision resulting in a £1.5million increase in pay against plan. The net effect on the Trust was £0.8million after taking account of the High Cost Element and provision usage.

Other areas of increase over plan relate to additional pay costs for Consultants, some of which relates to new grant funded posts. The balance is attributable to the new consultants contract and transfers made from the development reserve, which is included in non-pay, relating to those staffing elements of new initiatives and service improvements.

Non-Pay Costs

The £0.5million reduction in these costs against plan reflects a number of areas where savings were achieved. Trading units underspent by £0.4million as did the combined performance of transport and pathology.

Elsewhere cost pressures exist in relation to Medical Supplies and Equipment; especially drug costs, which saw a 15.6%, overspend against plan.

This section also holds the development reserve which once pay costs applicable to new developments have been identified such costs are transferred to the relevant pay budget causing an underspend against plan.

The main components of non-pay are shown in the table below.

Expense Type (in £M)	Plan	Actual	%
Drug Costs	2.54	3.62	15.62
Clinical Supplies & Services	7.46	7.64	32.97
General Supplies & Services	2.16	0.78	3.37
Establishment costs	2.23	1.11	4.79
Transport	2.09	1.59	6.86
Premises	5.04	6.39	27.58
Other	2.14	2.04	8.81
	23.64	23.17	100.00

Cash Flow

Cash flow performance varied from plan but did not give cause for concern and there was no need to utilise the working capital facility. PCT payments were generally good and towards the end of the year a number of older debts were cleared.

A larger than planned capital loan was taken from the Foundation Trust Financing Facility amounting to £7.9million (plan £6.1million). This went towards funding a substantial capital plan set at £21.9million. The largest element of which relates to the International Children’s Eye Centre, which is entirely funded from donations. It is this project that accounts for the increase in capital debtors amounting to £1.2million and conversely its financing through the Trust Development Fund also makes up a substantial part of the increase in creditors relating to donations pledged but not yet received.

A slight slowing down of creditor payments in March was needed to protect the Trust’s liquidity ratio but this did not affect to any great degree our good performance against the Better Payments Code.

The Trust has also received significant payments in relation to new commercial research trials, which have been treated as deferred income.

Borrowing

Since attaining Foundation status the Trust has taken out two long-term loans from the Foundation Trust Financing Facility. The first in 2004/05 for £5.4million and £7.9million in 2005/06. The Trusts performance against the Prudential Borrowing Code is as follows.

Performance against the approved Prudential Borrowing Limit (PBL) Ratios is shown below:		
Financial Ratios - 2005/06	Actual Ratios	Approved PBL Ratios
Maximum Debt/Capital Ratio	16.19%	<25%
Minimum Dividend Cover	2.74	>1x
Minimum Interest Cover	8.01	>3x
Minimum Debt Service Cover	3.20	>2x
Maximum Debt Service to Revenue	1.82%	<3%

External Audit Services

The Trust employs the services of Deloitte & Touche LLP to carry out external audit functions. The type of service and costs are detailed below.

Statutory Audit Services.	£42K
Regulatory Reporting	£48K
Other Services.	£39K

And Finally.....

I am delighted to report that the Trust performed exceptionally well financially despite grappling with major cost pressures during the year whilst still managing to retain a level four risk rating as planned.

The Trust Board continues to acknowledge that high on the agenda must be the principle of sound financial stewardship and accurate budgetary control as clearly the relationship between these two issues contributes positively to our financial stability and success. This responsibility is recognised throughout the organisation and as we continue to expand and push our boundaries further this issue must and will always be high on the agenda.

I would like to thank, on behalf of the Board, all those who have contributed so positively to our achieving another year of outstanding financial success.

A summary of the audited accounts for the year is given at pages 39-46 and provides the statutory disclosure of information required. These accounts provide details of the Trusts compliance with the Private Patients Cap on page 45, the disclosure on going concern on page 42 and full details of director's remuneration on page 44.

A handwritten signature in black ink, appearing to read 'Ian Knott', with a stylized flourish at the end.

Ian Knott
Director of Finance

Summary Financial Statements

Summarised Extracts from Audited Accounts for the Year to 31 March 2006

These summary financial statements are merely a summary of the information in the full accounts, which are available from the Director of Finance at Moorfields Eye Hospital, City Road, London EC1V 2PD.

<i>Income and Expenditure</i>		2005/06	2004/05
		£000	£000
Income	Patient Activity	63,376	57,349
	Other Sources	16,776	15,133
		80,152	72,482
Less	Cost of running the Trust	(78,455)	(69,554)
Surplus before interest		1,697	2,928
Interest receivable		265	141
Interest payable		(349)	(31)
Other financing costs - unwinding of discount		(4)	(6)
Other financing costs - change in discount rate on provisions		(19)	-
Surplus for the financial year		1,590	3,032
Public Dividend Capital dividends payable		(1,570)	(1,328)
Retained Surplus for the year		20	1,704
Financial Target Performance		4.1%	3.6%

Balance Sheet

As at:		31/3/06	Restated* 31/3/05
		£000	£000
Fixed Assets			
	Intangible assets	390	149
	Tangible assets	65,498	51,569
		65,888	51,718
Current Assets			
	- Stocks	1,539	1,580
	- Debtors	7,552	7,377
	- Investments	3,250	4,300
	- Cash	3,185	940
		15,526	14,197
Creditors			

Amounts falling due within one year	<u>(13,514)</u>	<u>(10,829)</u>
Net Current Liabilities	2,012	3,368
Total assets less current liabilities	67,900	55,086
Creditors		
Amounts falling due after one year	(12,413)	(5,280)
Provisions for liabilities and charges	(532)	(288)
Total assets employed	54,955	49,518
Financed by:		
Donated asset reserve	11,800	6,953
Taxpayers' Equity		
Public dividend capital	28,449	27,811
Revaluation reserve	10,544	10,612
Income and expenditure reserve	4,162	4,142
Total taxpayers' equity	43,155	42,565
Total capital and reserves	54,955	49,518

Prior year figures have been restated to account for a change to government grant disclosure. This represents a change of accounting policy in 2005/06 in accordance with UK GAAP.

Signed on behalf of the board on 12 June 2006



Ian Balmer
Chief Executive

Cash Flow Statement

	2005/06		2004/05
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Operating activities			
Net cash inflow from operating activities		6,722	5,340
Returns on investments and servicing of finance			
Interest received	271		136
Interest paid	<u>(329)</u>		<u>-</u>
Net cash outflow from returns on investments and servicing of finance		(58)	136
Capital Expenditure			
Payments to acquire tangible fixed assets	(16,999)		(6,844)
Payments to acquire intangible fixed assets	<u>(294)</u>		<u>(66)</u>
Net cash outflow from capital expenditure		(17,293)	(6,910)
Dividends paid		(1,570)	(1,328)
Management of Liquid Resources			
Purchase of current asset investments	(128,575)		(61,250)
Sale of current asset investments	<u>129,625</u>		<u>56,950</u>
		1,050	(4,300)
Net cash outflow before financing		<u>(11,149)</u>	<u>(7,062)</u>
Financing			
Public dividend capital received	638		-
Loans received from Foundation Trust Financing Facility	7,900		5,600
Loans repaid to Foundation Trust Financing Facility	(320)		-
Other capital receipts	<u>5,176</u>		<u>2,211</u>
Net cash inflow from financing		<u>13,394</u>	<u>7,811</u>
Increase in cash		<u>2,245</u>	<u>749</u>

Statement of Recognised Gains and Losses

	2005/06 £000	Restated* 2004/05 £000
Surplus for the financial year before dividend payments	1,590	3,032
Unrealised (loss)/surplus on fixed asset revaluations	(133)	4,621
Increases in the donated asset due to receipt of donated assets	5,361	2,890
Reductions in the donated asset and government grant reserve due to the depreciation, impairment and disposal of donated assets	(449)	(478)
Total gains and losses recognised in the financial year	6,369	10,065
Prior period adjustment	(147)	
	6,222	

*Prior year figures have been restated to account for a change to government grant disclosure. This represents a change of accounting policy in 2005/06 in accordance with UK GAAP.

Notes to the Accounts

1. Accounting policies

Monitor has directed that the financial statements of NHS Foundation Trusts shall meet the accounting requirements of the NHS Foundation Trust Financial Reporting Manual which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2005/06 NHS Foundation Trust Financial Reporting Manual issued by Monitor. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS Foundation Trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The accounts have been prepared on a going concern basis as it is considered that the Trust will continue in operational existence for the foreseeable future.

2. Pension Costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the NHS Foundation trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme under FRS 17.

3. Tangible Fixed Assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost, (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicated the carrying value may not be recoverable. The costs arising from financing the construction of the fixed asset are not capitalised but are charged to the income and expenditure account in the year to which they relate.

All land and buildings are revalued using professional valuations in accordance with FRS 15 every five years. A three yearly interim valuation is also carried out.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The latest asset valuations were undertaken in 2006 as at the prospective valuation date of 1 April 2005. This valuation was undertaken by GeraldEve, an external firm of Chartered Surveyors, with the basis of valuation being Depreciated Replacement Cost.

The revaluation undertaken at that date was accounted for in the 2005/06 financial statements.

4. Salary and Pension entitlements of senior managers (in bands of £5,000)

Name and Title	Salary £000	Other Remuneration £000	Real increase of lump sum £000	Real increase in CETV £000
2005/06				
Bill Aylward - Medical Director	105-110	35-40	0-2.5	30-31
Ian Balmer - Chief Executive	105-110	-	7.5-10	51-52
Ian Knott - Finance Director	90-95	-	5-7.5	25-26
Roger Hitchings - Research Director	65-70	-	-	-
Sarah Fisher - Nursing Director*	-	-	-	-
Thomas Boyd-Carpenter - Chairman	25-30	-	-	-
Adam Sillito - Non-Executive Director**	-	-	-	-
Clive Nickolds - Non-Executive Director	10-15	-	-	-
Maggie van Reenen - Non-Executive Director	5-10	-	-	-
Elkan Levy - Non-Executive Director	5-10	-	-	-
Ian Hollows - Non-Executive Director	10-15	-	-	-
Phil Luthert - Non-Executive Director***	0-5	-	-	-

* Sarah Fisher has withheld consent to disclose salary details.

** Professor Adam Sillito left the board during the year. Consent was not provided in 2005/06 to provide salary details.

*** Professor Luthert was appointed to the Board in March 2006.

Name and Title	Salary £000	Other Remuneration £000	Real increase in pension £000	Total accrued pension at age 60 at 31.03.05** £000
2004/05				
Bill Aylward - Medical Director	110-115	35-40	5-7.5	35-40
Ian Balmer - Chief Executive	100-105	-	0-2.5	30-35
Ian Knott - Finance Director	85-90	-	0-2.5	10-15
Roger Hitchings - Research Director	65-70	-	-	-
Sarah Fisher - Nursing Director	-	-	-	-
Sir Thomas Boyd-Carpenter - Chairman	20-25	-	-	-
Adam Sillito - Non-Executive Director	5-10	-	-	-
Clive Nickolds - Non-Executive Director	5-10	-	-	-
Maggie van Reenen - Non-Executive Director	5-10	-	-	-
Elkan Levy - Non-Executive Director	5-10	-	-	-
Jude Goffe - Non-Executive Director	0-5	-	-	-
Ian Hollows - Non-Executive Director	0-5	-	-	-

* Sarah Fisher has withheld consent to disclose salary details.

** The disclosure has changed in 2005/06 to show the real increase in CETV value as shown above.

Non-Executive directors do not receive pensionable remuneration

The real increase in Cash Equivalent Transfer Value (CETV) reflects the increase in CETV effectively funded by the employer.

6. Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £1,703,000 (2004/05 £2,066,000)

7. Performance against Prudential Borrowing Limit Financial Ratios

Maximum Debt/Capital Ratio	16.2%
Minimum Dividend Cover	2.7
Minimum Interest Cover	8
Minimum Debt Service Cover	3
Maximum Debt/Capital Ratio	1.8%

8. Private Patient Cap

NHS Foundation Trusts under section 15 of the 2003 Health and Social Care (Community Health and Standards) Act are required to ensure that the proportion of private patient income to total patient related income does not exceed the proportion in the 2002/03 base year.

	2005/06 £000	Restated* 2002/03 £000
Private patient income	7,289	6,376
Total patient related income	65,521	46,404
	<hr/> 11.12%	<hr/> 13.74%

* Following discussions with Monitor, our Private Patient cap has been restated to include income from the sale of pharmaceutical products.

9. Loans

The Trust has two loans with the Foundation Trust Financing Facility:

- £5,280,000 - The Trust is paying this loan in two tranches. Tranche A loan is for £1,440,000, with an interest rate of 4.65%. Tranche B of this loan is for £3,840,000 with an interest rate of 4.6%. Capital of £320,000 is being repaid in instalments each year and the loan will be repaid by 2030.
- £7,900,000 - The Trust is paying the loan in three tranches. Tranche A of the loan is for £1,920,000, with an interest rate of 4.5%. Tranche B of this loan is for £600,000 with an interest rate of 4.45%. Tranche C of this loan is for £5,380,000, with an interest rate of 4.4%. Capital of £447,160 is being repaid in instalments each year and the loan will be

repaid by 2031.

10. Related Party Transactions

Moorfields Eye Hospital NHS Foundation Trust is a public benefit corporation established under the Health and Social Care (Community Health and Standards) Act 2003.

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

The Department of Health is regarded as a related party. During the year Moorfields Eye Hospital NHS Foundation Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent company.

11. Reserves

The reserves shown in the balance sheet can be described as follows:

- (a) Revaluation Reserve.
The balance on this reserve represents the cumulative total of indexation and revaluation adjustments for the Trust's non-donated assets.
- (b) Donation Reserve.
The balance on this reserve represents the net book value of donated fixed assets held by the Trust.
- (c) Income and Expenditure Reserve.
The balance on this reserve represents the total cumulative surplus carried forward at the end of the year.



MOORFIELDS EYE HOSPITAL NHS FOUNDATION TRUST

ANNUAL ACCOUNTS 2005-2006

FOREWORD TO THE ACCOUNTS

MOORFIELDS EYE HOSPITAL NHS FOUNDATION TRUST

These accounts for the year ended 31 March 2006 have been prepared by Moorfields Eye Hospital NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 1 to the Health and Social Care (Community Health and Standards) Act 2003.

Signed:



I A J Balmer

13 June 2006.....Chief Executive

ACCOUNTING OFFICER'S STATEMENT OF RESPONSIBILITIES

Statement of the Chief Executive's responsibilities as the Accounting Officer of Moorfields Eye Hospital NHS Foundation Trust

The Health and Social Care (Community Health and Standards) Act 2003 states that the chief executive is the accounting officer of the NHS Foundation Trust. The relevant responsibilities of accounting officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the accounting officers' Memorandum issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

Under the Health and Social Care (Community Health and Standards) Act 2003, Monitor has directed Moorfields Eye Hospital NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Moorfields Eye Hospital NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the NHS Foundation Trust Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the NHS Foundation Trust Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The accounting officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS foundation trust and to enable him/her to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting officer is also responsible for safeguarding the assets of the NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in Monitor's NHS Foundation Trust Accounting Officer Memorandum.

13 June 2006.....Chief Executive

**Moorfields Eye Hospital NHS Foundation Trust
Statement on Internal Control 2005/06**

1 Scope of responsibility

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

Attached to this document is the structure chart showing the organisational and accountability arrangements for managing internal control within Moorfields Eye Hospital NHS Foundation Trust. (Appendix 1).

The Trust works closely with its internal audit provider, Thames Audit in the review of processes and the verification of assurance and risk management arrangements and has an agreed annual programme of review. The Statement of Internal Control is available on request and is regarded as a public document.

2 The purpose of the system of internal control

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

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in Moorfields Eye Hospital NHS Foundation Trust for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

3 Capacity to handle risk

3.1 Leadership

The organisational structure for managing risk throughout the Trust is depicted in Appendix 1. Both the Governance and Audit Committees are formal sub-committees of the Trust Board and are chaired by Non-Executive Directors with executive and senior management support. Accountability for risk management is co-ordinated through these 2 sub-committees - Governance for clinical and non-clinical risk and Audit for financial risk - to the Trust Board, with executive and senior management input at Management Executive level for decision-making on business cases and resource recommendations prior to reaching the Board for ratification.

As Chief Executive I am the Accountable Officer for internal control and therefore risk management. The Director of Corporate Governance leads the assurance and risk management processes; with day-to-day co-ordination of non-financial risk management led by the Risk & Safety Manager. The Director of Finance leads the financial risk management processes and a Clinical Director is the lead for Clinical Risk Management.

3.2 Staff Training

There is an extensive programme of training within each staff group reflecting the requirements for mandatory training and competency assessments to equip those staff for their duties and to manage risk appropriately. Representatives from all departments/functional areas attend either the Clinical Risk & Safety Group ensuring that they have an ongoing awareness of the current operational and strategic risk issues for the organisation.

Ongoing training is provided for all groups of staff wherever and whenever appropriate and particularly for new procedures and equipment. New staff receive risk awareness training in their 2-day induction programme and this includes fire and security management, risk awareness and incident reporting, and health and safety. New medical staff, including junior doctors, receive a similar level of training in their monthly induction programme.

A key priority for this year has been the implementation of a Risk Awareness Training Programme for all staff and over 85% of departments now have a representative trained in undertaking risk assessments.

4 The Risk and Control Framework

Risk management starts at Trust Board level. The Board approves all strategy and policy updates and receives regular reports from the Chairman of the Audit and Governance Committees who are Non-Executive directors of the Board. Each of the risk management work streams produces an annual report for the Trust Board. Serious incidents are reported to the Board with further reporting following action and outcomes.

4.1 Strategy & Policy

The Trust Board reviewed and approved the combined Risk Management Strategy and Policy in May 2005. The key elements of the strategy are to develop and maintain a clear and effective structure of responsibility and accountability across the whole Trust with clear systems for identifying and managing risks, so that all employees will be able to play their part in dealing with risk, leading to measurable improvements in patient safety. The strategy is supported by a number of key policies such as:

- Major incident plan
- Health & Safety policy
- Incident reporting and investigation policy
- Infection control manual
- Complaints policy
- Claims handling policy
- Patient & Public Involvement: Guidebook for staff
- Consent policy,

and is reviewed annually.

The strategy describes the ways of identifying and managing risk from the business planning and controls assurance levels through to incident reporting and the maintenance of a risk register, as well as clinical governance, major incident planning and health safety. The Risk Management Strategy and linked policies are available via the intranet.

Risk management is embedded in the activities of the organisation through the risk management structure and the range of committees and groups that have identified risk as a key element of their terms of reference, and through the range of training that is available to staff. Risk also forms part of the project management process for any new development or work stream, for example, the Project Manager for the International Children's Eye Centre attends the Risk & Safety Group.

The Trust provides services at a number of other sites that are run by other NHS Trusts and the Risk & Safety Manager has an agreement with those Trust's Risk Managers about communication and lines of responsibility. The Trust is currently attempting to formalise those arrangements through its service level agreements with the host Trusts.

4.2 Assurance Framework

The Trust Board reviewed its risk processes and major risks in March 2005 and implemented a programme of 6 major risks as the focus for 2005/06. These were identified from the strategic risk assessment undertaken with Zurich Municipal in September 2004 which was then subject to full review by the Trust Board at an Awayday in March 2005. Each of the key risks has a Board level co-ordinator who is currently reviewing the controls and assurances required for each of the risks. The Assurance Framework for 2005/06 comprises these 6 risks and the relevant controls and assurances in place to manage the risks. The Audit Committee and Governance Committee oversee the review of 3 major risks each as follows:

Audit Committee:

- Failure to achieve performance targets
- Failure to achieve financial balance
- Major IT systems failure.

Governance Committee:

- Inadequate organisational capacity
- Major clinical problem
- Failure to maintain good staff morale.

Detailed work has been developed on the controls and assurances for each of these risks, breaking them down into component parts wherever possible, with action plans and dates for review included within the framework. The Trust Board reviewed the overall framework in April 2006 and the plan for 2006/07 will be to undertake another strategic risk assessment, review whether the current 6 major risks are still relevant, and to update and further develop the Assurance Framework and controls.

4.3 Stakeholders

The context for Risk Management is described within the strategy document and incorporates the view of risk and its potential impact upon patients, visitors, staff, the organisation and the external view of the organisation. The priorities and objectives of the Risk Management strategy best describe how the Trust involves public stakeholders, including:

- the use of effective risk management in setting and achieving the Trust's objectives and as an integral part of its business and corporate planning activities
- the use of risk management to learn from our work in a fair way and for us to develop in every area to ensure the best patient care possible, provided in a safe and financially viable environment.

The Trust has an established Complaints Management policy, which is an important element of the risk management process. The Trust now has a public and patient membership of approximately 10,500. The Governance Committee includes a representative from Islington PCT and 2 public governors from the Membership Council. The Moorfields Patient Forum also play an active role.

5 Review of Effectiveness & Significant Control Issues

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

The range of external reviews that have been undertaken during the year also informs my review. In 2005/06 the following reviews have been undertaken and the outcomes are identified below:

- CNST Level 2 – reassessed and achieved in November 2005;
- HSE Inspection – 2 improvement notices served in November 2005 relating to risk assessments and management or corresponding action plans;
- Draft and Final declarations for core Standards for Better Health – compliance against all but 3 core standards;
- Acute Hospital Portfolio reviews for Medicines Management & Diagnostics (Healthcare Commission – data under review);
- Improvement Review into services for children in hospital (Healthcare Commission) – outcome awaited Spring 2006;

- Finance and governance risk ratings by Monitor – level 4 maintained throughout the year for Finance, and green reducing to amber to red by quarter 3 for governance.

My review of the effectiveness of our systems is also informed by:

- Opinions and reports made by the external and internal auditors
- Annual reports for clinical governance and research governance
- Minutes of the Governance and Audit Committees.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Trust's internal mechanisms.

There are a number of significant control issues as identified by the SIC guidance 2003 reported for the year 2005/06. These specifically relate to the following:

- Breaches of the 17 and 13 week 1st GP outpatient referral target;
- Breach of the 6 months inpatient waiting time target;
- Breach of the Cancer waiting time targets;
- Two improvement notices issued by the HSE for risk assessment and action planning;
- Breach of the NHS Foundation Trust Terms of Authorisation for failure to report in a timely fashion on the Outpatient performance target breaches.

Each of these control issues is being managed through an action plan and receives close scrutiny both internally by the Trust Board, and externally by Monitor, the HSE, and PCTs.

The Trust Board has considered an early draft of an internal compliance framework to support the management and reporting processes for key information. The aim will be to ensure the Trust Board has the assurance that information is being closely scrutinised and validated at every step before it is reported externally. This framework is being developed and will be in place during 2006/07.

6 Conclusion

I am of the view that the processes and systems described in this document demonstrate that the Trust has done its reasonable best to maintain a sound system of internal control to manage the risks to achieving the organisation's objectives. The significant control issues have been appropriately addressed within the control and assurance framework.



Ian Balmer

12 June 2006.....Chief Executive

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

	NOTE	2005/06 £000	2004/05 £000
Income from activities	3.1-3.2	63,376	57,349
Other operating income	3.3	<u>16,776</u>	<u>15,133</u>
Total income		80,152	72,482
Operating expenses	4-5	<u>(78,455)</u>	<u>(69,554)</u>
SURPLUS BEFORE INTEREST		1,697	2,928
Interest receivable		265	141
Interest payable	6	(349)	(31)
Other finance costs - unwinding of discount		(4)	(6)
Other finance costs - change in discount rate on provisions		<u>(19)</u>	<u>-</u>
Total Financing		(107)	104
SURPLUS FOR THE FINANCIAL YEAR		1,590	3,032
Public Dividend Capital dividends payable		<u>(1,570)</u>	<u>(1,328)</u>
RETAINED SURPLUS FOR THE YEAR		<u><u>20</u></u>	<u><u>1,704</u></u>

Notes 1 to 23 form part of these accounts.

All income and expenditure is derived from continuing operations.

**BALANCE SHEET AS AT
31 March 2006**

	NOTE	31 March 2006 £000	Restated 31 March 2005 £000
FIXED ASSETS			
Intangible assets	7	390	149
Tangible assets	8	<u>65,498</u>	<u>51,569</u>
		65,888	51,718
CURRENT ASSETS			
Stocks and work in progress	9	1,539	1,580
Debtors	10	7,552	7,377
Investments	11	3,250	4,300
Cash at bank and in hand	15.3	<u>3,185</u>	<u>940</u>
		15,526	14,197
CREDITORS: Amounts falling due within one year	12	<u>(13,514)</u>	<u>(10,829)</u>
NET CURRENT ASSETS		2,012	3,368
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>67,900</u>	<u>55,086</u>
CREDITORS: Amounts falling due after more than one year	12	(12,413)	(5,280)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(532)	(288)
TOTAL ASSETS EMPLOYED		<u><u>54,955</u></u>	<u><u>49,518</u></u>
FINANCED BY:			
Donated asset reserve	14	11,800	6,953
TAXPAYERS' EQUITY			
Public dividend capital	17	28,449	27,811
Revaluation reserve	14	10,544	10,612
Income and expenditure reserve	14	<u>4,162</u>	<u>4,142</u>
TOTAL TAXPAYERS' EQUITY		<u>43,155</u>	<u>42,565</u>
TOTAL EQUITY		<u><u>54,955</u></u>	<u><u>49,518</u></u>

Signed:



I A J Balmer

13 June 2006.....Chief Executive

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

	2005/06	Restated
	£000	2004/05
		£000
Surplus for the financial year before dividend payments	1,590	3,032
Unrealised (loss)/surplus on fixed asset revaluations	(133)	4,621
Net increases in the donated asset reserve due to receipt of donated assets	5,361	2,890
Reductions in the donated asset reserve due to depreciation, impairment and disposal of donated assets	(449)	(478)
Total gains and losses recognised in the financial year	<u>6,369</u>	<u>10,065</u>
Prior year adjustment (see note 14)	(147)	
	<u>6,222</u>	

CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2006

	NOTE	2005/06 £000	2004/05 £000
OPERATING ACTIVITIES			
Net cash inflow from operating activities	15.1	6,722	5,340
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		271	136
Interest paid		<u>(329)</u>	-
Net cash outflow from returns on investments and servicing of finance		(58)	136
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(16,999)	(6,844)
Payments to acquire intangible assets		<u>(294)</u>	<u>(66)</u>
Net cash outflow from capital expenditure		(17,293)	(6,910)
DIVIDENDS PAID			
Net cash outflow before management of liquid resources and financing		<u>(12,199)</u>	<u>(1,328)</u>
MANAGEMENT OF LIQUID RESOURCES			
Purchase of current asset investments		(128,575)	(61,250)
Sale of current asset investments		<u>129,625</u>	<u>56,950</u>
Net cash inflow/(outflow) from management of liquid resources		1,050	(4,300)
Net cash outflow before financing		<u>(11,149)</u>	<u>(7,062)</u>
FINANCING			
Public dividend capital received		638	-
Loans received from Foundation Trust Financing Facility		7,900	5,600
Loans repaid to Foundation Trust Financing Facility		(320)	-
Other capital receipts		<u>5,176</u>	<u>2,211</u>
Net cash inflow from financing		13,394	7,811
Increase in cash		<u><u>2,245</u></u>	<u><u>749</u></u>

NOTES TO THE ACCOUNTS

1 Accounting policies

Monitor has directed that the financial statements of NHS Foundation Trusts shall meet the accounting requirements of the NHS Foundation Trust Financial Reporting Manual which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2005/06 NHS Foundation Trust Financial Reporting Manual issued by Monitor. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS Foundation Trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of tangible fixed assets at their value to the business by reference to their current costs. NHS Foundation Trusts, in compliance with HM Treasury's Financial Reporting Manual, are not required to comply with the FRS3 requirements to report "earnings per share" or historical profits and losses.

1.2 Income recognition

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

The NHS Foundation Trust changed the form of its contracts with NHS commissioners to follow the Department of Health's Payment by Results methodology in 2004/05. To manage the financial impact of this change on the NHS Foundation Trust and its commissioners the trust is repaying PCT commissioners over a three year transitional period. Further details of this arrangement is detailed in note 3.1 to the accounts.

1.3 Expenditure

Expenditure is accounted for applying the accruals convention.

1.4 Tangible fixed assets

Capitalisation

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

- individually have a cost of at least £5,000; or
- form a group of assets which individually have a cost of more than £250, collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial setting-up cost of a new building or refurbishment of a ward or unit, irrespective of their individual or collective cost. This may include employee salary costs relating to a specific build or acquisition.

Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost, (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicated the carrying value may not be recoverable. The costs arising from financing the construction of the fixed asset are not capitalised but are charged to the income and expenditure account in the year to which they relate.

All land and buildings are revalued using professional valuations in accordance with FRS 15 every five years. A three yearly interim valuation is also carried out.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The latest asset valuations were undertaken in 2006 as at the prospective valuation date of 1 April 2005. This valuation was undertaken by GeraldEve, an external firm of Chartered Surveyors, with the basis of valuation being Depreciated Replacement Cost. Further detail is present in Note 8.1.

The revaluation undertaken at that date was accounted for in these financial statements.

The valuations are carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. The value of land for existing use purposes is assessed at Existing Use Value. For non-operational properties including surplus land, the valuations are carried out at open market value.

Assets in the course of construction are valued at cost and are valued by professional valuers as part of the three or five yearly valuation or when they are brought into use.

Operational equipment is valued at net current replacement cost. Equipment surplus to requirements is valued at net recoverable amount.

Depreciation, amortisation and impairments

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

Assets in the course of construction are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

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

Equipment is depreciated on current cost evenly over the estimated life of the asset. The estimated life varies from five to fifteen years for all equipment.

Fixed asset impairments resulting from losses of economic benefits are charged to the Income and Expenditure Account. All other impairments are taken to the revaluation reserve and reported in the Statement of Total Recognised Gains and Losses to the extent that there is a balance on the revaluation reserve in respect of the particular asset.

1.5 Intangible fixed assets

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

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

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

1.6 Investments

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement.

1.7 Donated Fixed Assets

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

1.8 Government Grants

Government grants are grants from government bodies other than income from Primary Care Trusts or NHS Trusts for the provision of services. Grants from the Department of Health, including those for achieving three star status, are accounted for as government grants. Where the Government grant is used to fund revenue expenditure it is taken to the Income and Expenditure account to match that expenditure. Where the grant is used to fund capital expenditure the grant is held as deferred income and released to the income and expenditure account over the life of the asset on a basis consistent with the depreciation charge for that asset. This is in line with SSAP 4 and represents a change in accounting policy for 2005/06. Prior year figures have been restated to account for this.

1.9 Stocks and works-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Work-in-progress comprises goods in intermediate stages of production.

1.10 Cash, bank and overdrafts

Cash, bank and overdraft balances are recorded at the current values of these balances in the NHS Foundation Trust's cash book. These balances exclude monies held in the NHS Foundation Trust's bank account belonging to patients (see "third party assets" below). Account balances are only set off where a formal agreement has been made with the bank to do so. In all other cases overdrafts are disclosed within creditors. Interest earned on bank accounts and interest charged on overdrafts is recorded as, respectively, "interest receivable" and "interest payable" in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

1.11 Research and development

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

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

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Income and Expenditure Account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Where possible, NHS Foundation Trusts disclose the total amount of research and development expenditure charged in the income and expenditure account separately. However, where research and development activity cannot be separated from patient care activity it cannot be identified and is therefore not separately disclosed.

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

1.12 Provisions

The trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 3.5% in real terms.

Provisions in relation to pre-1995 pensions are discounted at a rate of 2.2% (2004/05: 3.5%).

1.13 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Foundation Trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the NHS Foundation Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS Foundation Trust is disclosed in note 13.

1.14 Non-clinical risk pooling

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

1.15 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the NHS Foundation trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme under FRS 17.

The Scheme is subject to a full valuation every four years by the Government Actuary. The last published valuation relates to the period 1 April 1994 to 31 March 1999. The valuation as at 31 March 2003 has not yet been published. Between valuations, the Government Actuary provides an update of the scheme liabilities. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at www.nhs.gov.uk. Copies can also be obtained from The Stationery Office.

The notional surplus of the scheme is £1.1 billion as per the last scheme valuation by the Government Actuary for the period 1 April 1994 to 31 March 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis.

Employers' pension cost contributions are charged to operating expenses as and when they become due. Employer contribution rates are reviewed every four years following the scheme valuation, on advice from the actuary. At the last valuation on which contribution rates were rebased (31 March 1999) employer contribution rates from 2003-04 were set at 14% of pensionable pay. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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

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

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

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

1.16 Value Added Tax

Most of the activities of the NHS Foundation Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.17 Foreign Exchange

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

1.18 Third Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS Foundation Trust has no beneficial interest in them. There were no third party assets held in either year.

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

1.20 Dividend

Public dividend capital (PDC) is a type of equity finance based on the excess of assets over liabilities i.e. the net assets of a public benefit corporation.

A charge, reflecting the forecast cost of capital utilised by the NHS Foundation Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the NHS Foundation Trust. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for donated assets and cash held with the Office of the Paymaster General. Average relevant net assets are calculated as a simple mean of opening and closing relevant net assets.

2 Segmental Analysis

The Trust has only one business segment - Healthcare.

3. Income

3.1 Income from activities by type

	2005/06	2004/05
	£000	£000
Elective income	22,743	23,264
Non elective income	6,501	8,183
Outpatient income	22,608	20,320
A & E income	4,219	3,182
Total income at full tariff*	<u>56,071</u>	<u>54,949</u>
PBR clawback**	<u>(3,646)</u>	<u>(7,202)</u>
Net income from full tariff activities	52,425	47,747
Non-tariff NHS income	2,882	2,245
Non- NHS - Other	780	791
Private patient income	7,289	6,566
	<u>63,376</u>	<u>57,349</u>

*Includes the impact of the national tariff prices for NHS activity

**50% of the gain on the new tariff was repaid to PCT commissioners in 2005/06 (2004/05: 75%).

This will fall to 25% in 2006/07.

3.2 Income from activities by source

	2005/06	2004/05
	£000	£000
NHS Foundation Trusts	53	44
NHS Trusts	945	545
Primary Care Trusts	51,969	48,642
Department of Health	2,329	750
Non NHS:		
- Private patients	7,289	6,566
- Overseas patients (non-reciprocal)	7	8
- Road Traffic Act	4	3
- Other	780	791
	<u>63,376</u>	<u>57,349</u>

3.3 Other operating income

	2005/06	Restated 2004/05
	£000	£000
Research and development	5,165	4,995
Education and training	3,412	3,265
Charitable and other contributions to expenditure	1,197	1,194
Transfers from donated asset reserve	449	478
Other income	6,553	5,201
	<u>16,776</u>	<u>15,133</u>

3.4 Private patient income

	2005/06	Restated 2002/03
	£000	£000
Private patient income	7,289	6,376
Total patient related income	65,521	46,404
	<u>11.12%</u>	<u>13.74%</u>

NHS Foundation Trusts under section 15 of the 2003 Health and Social Care (Community Health and Standards) Act are required to ensure the proportion of private patient income to total patient related income does not exceed the proportion in the base 2002/03 financial year.

Following discussions with Monitor the Private Patient Cap has been restated to include income from the sale of pharmaceutical products.

3.5 Income by protected and non-protected services

	2005/06	2004/05
	£000	£000
Protected income	70,718	64,501
Non-protected income	9,434	7,981
	<u>80,152</u>	<u>72,482</u>

Protected services are those that are required for the mandatory provision of healthcare services.

4. Operating Expenses

4.1 Operating expenses comprise:

	2005/06	2004/05
	£000	£000
Services from NHS Foundation Trusts	451	411
Services from other NHS Trusts	1,579	1,228
Services from other NHS bodies	444	85
Directors' costs	665	616
Staff costs	51,902	45,090
Drug costs	3,621	2,684
Supplies and services - clinical (excl drug costs)	6,289	6,754
Supplies and services - general	783	670
Establishment	1,112	1,020
Transport	1,589	1,840
Premises	5,566	5,097
Depreciation and amortisation	2,719	3,055
Audit fees - statutory audit	42	62*
Other auditors' remuneration	87	-
Clinical negligence	279	232
Other	1,327	710
	<u>78,455</u>	<u>69,492</u>

* Other auditors' remuneration is a new disclosure point and therefore no prior year comparison is available.

4.2 Operating lease rentals

4.2.1 Operating expenses include:

	2005/06 £000	2004/05 £000
Hire of plant and machinery	437	447
Other operating lease rentals	720	569
	<u>1,157</u>	<u>1,016</u>

4.2.2 Annual commitments under non-cancellable operating leases are:

	Land and buildings		Other leases	
	2005/06 £000	2004/05 £000	2005/06 £000	2004/05 £000
Operating leases which expire:				
Within 1 year	596	-	38	-
Between 1 and 5 years	23	498	6	102
After 5 years	244	71	341	345
	<u>863</u>	<u>569</u>	<u>385</u>	<u>447</u>

4.3 Salary and pension entitlements of senior managers

a) Remuneration

Name and Title	2005/06		2004/05	
	Salary (bands of £5,000) £000	Other Remuneration (bands of £5,000) £000	Salary (bands of £5,000) £000	Other Remt (bands c
Mr G Aylward - Medical Director	105-110	35-40	110-115	
Mr I A J Balmer - Chief Executive	105-110	-	100-105	
Mr I M Knott - Finance Director	90-95	-	85-90	
Mr R A Hitchings - Research Director	65-70	-	65-70	
Ms S Fisher - Nursing Director*	-	-	-	
Sir T P J Boyd-Carpenter - Chairman	25-30	-	20-25	
Mr C Nickolds - Non-Exec Director	10-15	-	5-10	
Mr I J Hollows - Non-Exec Director	10-15	-	0-5	
Ms M A Van Reenen - Non-Exec Director	5-10	-	5-10	
Mr E D Levy - Non-Exec Director	5-10	-	5-10	
Professor P Luthert - Non-Exec Director**	0-5	-	-	
Professor A M Sillito - Non-Exec Director***	-	-	5-10	

* Ms S Fisher has withheld consent to disclose salary details

**Professor P Luthert was appointed to the Board in March 2006.

***Professor A M Sillito left the Board during the year. Consent was not provided in 2005/06 to disclose salary details

4.3 Salary and pension entitlements of senior managers

b) Pension benefits

Name and title	Value of automatic lump sums at 31 March 2006 (bands of £2,500) £000	Real increase in year in the value of automatic lump sums (in bands of £2,500) £000	Cash Equivalent Transfer Value at 31 March 2006 (bands of £1,000) £000	Real increase in Cash Equivalent Transfer Value in 2005/06 (bands of £1,000) £000
Mr I A J Balmer - Chief Executive	100-102.5	7.5-10	487-488	51-52
Mr I M Knott - Finance Director	45-47.5	5-7.5	272-273	25-26
Mr G Aylward - Medical Director	115-117.5	0-2.5	562-563	30-31
Mr R A Hitchings - Research Director*	-	-	-	-
Ms S Fisher - Nursing Director**	-	-	-	-

* Mr R A Hitchings is not accruing future pension benefits

** Ms S Fisher has withheld consent to disclose pension details in 2005/06

Non-Executive Directors do not receive pensionable remuneration.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accumulated by a member at a particular point in time. The benefits valued are the member's accumulated benefits and any contingent spouse's pension payable from the scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

5. Staff Costs and Numbers

5.1 Staff costs

	Total 2005/06 £000	Permanently Employed 2005/06 £000	Other 2005/06 £000	2004/05 £000
Salaries and wages	40,934	40,934	-	35,653
Social security costs	3,668	3,668	-	3,070
Employer contributions to NHSPA	4,514	4,514	-	3,928
Agency Staff	3,387	-	3,387	3,055
	52,503	49,116	3,387	45,706

5.2 Average number of persons employed

	Total 2005/06 Number	Permanently Employed 2005/06 Number	Other 2005/06 Number	2004/05 Number
Medical	223	223	-	183
Administration and estates	404	404	-	375
Healthcare assistants and other support staff	44	44	-	31
Nursing and health visiting staff	318	318	-	286
Scientific, therapeutic and technical staff	198	198	-	205
Agency staff	125	-	125	103
Other	73	73	-	79
Total	1,385	1,260	125	1,262

5.3 Employee benefits

	2005/06 £000	2004/05 £000
Various employee taxable benefits in kind*	11	3

*In respect of Moorfields Surgeons Association organised staff activities.

5.4 Retirements due to ill-health

During 2005/06 there was 1 (2004/05 - nil) early retirement on ill-health grounds, at a cost of £125,816 (2004/05 - nil). This retirement represents 0.94 per 1,000 active scheme members. This information has been supplied by the NHS Pensions Agency.

6. Interest Payable

	2005/06 £000	2004/05 £000
Loans from Foundation Trust Financing Facility	<u>349</u>	<u>31</u>

7. Intangible Fixed Assets

	Software Licences £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2005	382	91	473
Additions - purchased	237	57	294
Gross cost at 31 March 2006	619	148	767
Amortisation at 1 April 2005	253	71	324
Provided during the year	47	6	53
Accumulated amortisation at 31 March 2006	300	77	377
Net book value			
- Purchased at 1 April 2005	129	20	149
- Total at 1 April 2005	129	20	149
- Purchased at 31 March 2006	319	71	390
- Total at 31 March 2006	319	71	390

8. Tangible Fixed Assets**8.1 Tangible fixed assets at the balance sheet date comprise the following elements:**

	Land	Buildings	Assets under Construction	Plant and Machinery	Transport Equipment	Information Technology	Furniture and Fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2005	10,991	30,737	2,827	16,194	184	6,892	513	68,338
Additions purchased	-	3,643	3,076	3,618	5	792	234	11,368
Additions donated	-	101	5,041	219	-	-	-	5,361
Reclassifications	9	(9)	-	-	-	-	-	-
Other revaluations	550	(683)	-	-	-	-	-	(133)
Disposals	-	-	-	-	-	(1)	-	(1)
Cost or Valuation at 31 March 2006	11,550	33,789	10,944	20,031	189	7,683	747	84,933
Accumulated depreciation at 1 April 2005	-	527	-	10,747	176	5,059	260	16,769
Provided during the year	-	814	-	1,258	8	542	44	2,666
Accumulated depreciation at 31 March 2006	-	1,341	-	12,005	184	5,601	304	19,435
Net book value								
- Purchased at 1 April 2005	10,991	27,690	-	4,386	4	1,258	232	44,561
- Donated at 1 April 2005	-	2,520	2,827	1,061	4	575	21	7,008
Total at 1 April 2005	10,991	30,210	2,827	5,447	8	1,833	253	51,569
- Purchased at 31 March 2006	11,550	29,972	3,076	7,062	5	1,593	425	53,683
- Donated at 31 March 2006	-	2,476	7,868	964	-	489	18	11,815
Total at 31 March 2006	11,550	32,448	10,944	8,026	5	2,082	443	65,498

8.2 Analysis of protected and unprotected tangible fixed assets

	Land	Buildings	Assets under Construction	Plant and Machinery	Transport Equipment	Information Technology	Furniture and Fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value								
-Protected assets at 31 March 2006	11,550	24,694	-	-	-	-	-	36,244
-Unprotected assets at 31 March 2006	-	7,754	10,944	8,026	5	2,082	443	29,254
Total at 31 March 2006	11,550	32,448	10,944	8,026	5	2,082	443	65,498

Protected assets are those that are required for the mandatory provision of healthcare services.

A revaluation of land and buildings was carried out in 2005/06 by GeraldEve Chartered Surveyors.

8.3 The net book value of land and buildings comprised:

	31 March 2006	31 March 2005
	£000	£000
Freehold	1,003	1,003
Long leasehold	42,995	40,198
TOTAL	<u>43,998</u>	<u>41,201</u>

9. Stocks and Work-in-Progress

	31 March 2006	31 March 2005
	£000	£000
Raw materials and consumables	97	240
Work-in-progress	28	-
Finished goods	1,414	1,340
TOTAL	<u>1,539</u>	<u>1,580</u>

10. Debtors

	31 March 2006	31 March 2005
	£000	£000
Amounts falling due within one year:		
NHS debtors	3,884	4,232
Provision for irrecoverable debts	(475)	(745)
Other prepayments and accrued income	447	583
Other debtors	3,547	3,162
Sub total	<u>7,403</u>	<u>7,232</u>

Amounts falling due after more than one year:

NHS debtors	149	145
TOTAL	<u>7,552</u>	<u>7,377</u>

11. Current Asset Investments

	31 March 2006	2004/05
	£000	£000
Balance at 1 April	4,300	-
Additions	128,575	61,250
Disposals	(129,625)	(56,950)
Balance at 31 March	<u>3,250</u>	<u>4,300</u>

All investment transactions have been with the National Loans Fund for short term deposits.

12. Creditors

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

	31 March 2006	Restated
	£000	31 March 2005
		£000
Amounts falling due within one year:		
Current instalments due on loans	767	320
Interest payable	50	31
NHS creditors	1,543	2,102
Non - NHS trade creditors - revenue - other	5,542	4,328
Non - NHS trade creditors - capital	1,950	864
Tax and social security costs	1,726	1,570
Other creditors	241	8
Accruals and deferred income	1,695	1,606
Sub total	<u>13,514</u>	<u>10,829</u>
 Amounts falling due after more than one year:		
Long-term loans	12,413	5,280
TOTAL	<u><u>25,927</u></u>	<u><u>16,109</u></u>
 NHS creditors include:		
Outstanding pensions contributions	<u><u>5</u></u>	<u><u>5</u></u>

12.2 Loans

	31 March 2006	31 March 2005
	£000	£000
Amounts falling due:		
In one year or less	767	320
Between one and two years	767	320
Between two and five years	2,301	960
Over five years	9,345	4,000
TOTAL	<u>13,180</u>	<u>5,600</u>
	31 March 2006	31 March 2005
	£000	£000
Of which:		
- wholly repayable within five years	3,835	-
- wholly repayable after five years, by instalments	9,345	5,600
	<u>13,180</u>	<u>5,600</u>

The Trust has two loans from the Foundation Trust Financing Facility:

- £5,280,000 - The Trust is paying this loan in two tranches. Tranche A loan is for £1,440,000, with an interest rate of 4.65%. Tranche B of this loan is for £3,840,000 with an interest rate of 4.6%. Capital of £320,000 is being repaid in instalments each year and the loan will be repaid by 2030.
- £7,900,000 - The Trust is paying the loan in three tranches. Tranche A of the loan is for £1,920,000, with an interest rate of 4.5%. Tranche B of this loan is for £600,000 with an interest rate of 4.45%. Tranche C of this loan is for £5,380,000, with an interest rate of 4.4%. Capital of £447,160 is being repaid in instalments each year and the loan will be repaid by 2031.

13. Provisions for Liabilities and Charges

	Pensions relating to former directors £000	Pensions relating to other staff £000	Other £000	Total £000
At 1 April 2005	126	38	124	288
Change in discount rate	15	4	-	19
Arising during the year	-	-	364	364
Utilised during the year	(10)	(9)	(124)	(143)
Unwinding of discount	3	1	-	4
At 31 March 2006	<u>134</u>	<u>34</u>	<u>364</u>	<u>532</u>

Expected timing of cashflows:

Within one year	10	9	364	383
Between one and five years	50	25	-	75
After five years	74	-	-	74
At 31 March 2006	<u>134</u>	<u>34</u>	<u>364</u>	<u>532</u>

Pensions provisions relate to pre-1995 pension related costs on early retirements. The discount rate applied to pension provisions changed to 2.2% from 3.5% in year, reflecting a change in HM Treasury's discount rate.

Other provisions relate to two areas:

Agenda for Change - the Trust has assimilated 100% of all posts, however some appeals remain outstanding. The total provision in the accounts for Agenda for Change is £67,000.

VAT Partial Exemption - the Trust is in discussions with HMRC regarding partial exemption VAT claims for prior years. The total provision in the accounts for VAT is £297,000.

£502,756 is included in the provisions of the NHS Litigation Authority at 31 March 2006 in respect of clinical negligence liabilities of the Trust (31 March 2005: £733,741).

14. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve £000	Donated Asset Reserve £000	Government Grant Reserve £000	Income and Expenditure Reserve £000	Total £000
At 1 April 2005	10,612	6,953	147	4,142	21,854
Prior Period Adjustment*	-	-	(147)	-	(147)
At 1 April 2005, as restated	10,612	6,953	-	4,142	21,707
Transfer from the Income and Expenditure Account	-	-	-	20	20
Loss on revaluations of fixed assets	(68)	(65)	-	-	(133)
Receipt of donated assets	-	5,361	-	-	5,361
Transfers to the Income and Expenditure Account for depreciation	-	(449)	-	-	(449)
At 31 March 2006	<u>10,544</u>	<u>11,800</u>	<u>-</u>	<u>4,162</u>	<u>26,506</u>

* The prior period adjustment is in relation to the change in treatment of the Government Grant reserve in order that the accounts comply fully with SSAP 4.

15. Notes to the Cash Flow Statement**15.1 Reconciliation of operating surplus to net cash flow from operating activities:**

	2005/06 £000	2004/05 £000
Total operating surplus	1,697	2,928
Depreciation and amortisation charge	2,719	3,055
Transfer from donated asset reserve	(449)	(478)
Transfer from the government grant reserve	(40)	(40)
Decrease/(increase) in stocks	41	(463)
Increase in debtors	(175)	(1,800)
Increase in creditors	2,685	2,283
Increase/(decrease) in provisions	244	(145)
Net cash inflow from operating activities	<u>6,722</u>	<u>5,340</u>

15.2 Reconciliation of net cash flow to movement in net debt

	2005/06 £000	2004/05 £000
Increase in cash in the period	2,245	749
Cash inflow from new debt	(7,900)	(5,600)
Cash outflow from debt repaid and finance lease capital payments	320	-
Cash outflow/(inflow) from increase/(decrease) in liquid resources	<u>(1,050)</u>	<u>4,300</u>
Change in net debt resulting from cashflows	<u>(6,385)</u>	<u>(551)</u>
Net debt at 1 April	(360)	191
Net debt at 31 March	<u>(6,745)</u>	<u>(360)</u>

15.3 Analysis of changes in net debt

	At 1 April 2005 £000	Cash changes in year £000	At 31 March 2006 £000
Commercial cash at bank and in hand	71	(35)	36
OPG cash at bank	869	2,280	3,149
Debt due within one year	(320)	(447)	(767)
Debt due after one year	(5,280)	(7,133)	(12,413)
Current asset investments	4,300	(1,050)	3,250
	<u>(360)</u>	<u>(6,385)</u>	<u>(6,745)</u>

16. Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £1,703,000 (31 March 2005: £2,066,000).

17. Movement in Public Dividend Capital

	2005/06 £000	2004/05 £000
Public dividend capital as at 1 April	27,811	27,811
New public dividend capital received	638	-
Public dividend capital as at 31 March	<u>28,449</u>	<u>27,811</u>

18. Movement in Taxpayers' Equity

	2005/06 £000	Restated 2004/05 £000
Surplus for the financial year	1,590	3,032
Public dividend capital dividends	(1,570)	(1,328)
(Loss)/gain from revaluation of fixed assets	(68)	4,494
New public dividend capital in year	638	-
Net increase in Taxpayers' Equity	<u>590</u>	<u>6,198</u>
Opening Taxpayers' Equity	42,752	36,554
Closing Taxpayers' Equity	<u>43,342</u>	<u>42,752</u>

19. Financial Performance

19.1 Public Dividend Capital dividend

The Trust is required to make a Public Dividend Capital dividend at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on Public Dividend Capital, totalling £1,570,000, bears to the average relevant net assets of £38,265,000, that is 4.1%.

In 2004/05 the dividends paid totalled £1,328,000, bearing to the average relevant net assets of £36,845,000, that was 3.6%.

19.2 Performance against Prudential Borrowing Limit

The NHS foundation trust is subject to a prudential borrowing limit. This is made up of two elements:
 - the maximum cumulative amount of long-term borrowing. This is set by reference to the five ratio tests set out in Monitor's Prudential Borrowing Code. The financial risk rating set under Monitor's Compliance Framework determines one of the ratios and therefore can impact on the long term borrowing limit.

- the amount of any working capital facility approved by Monitor.

Further information on the NHS foundation trusts Prudential Borrowing Code and Compliance Framework can be found on the website of Monitor, the Independent Regulator of Foundation Trusts.

The Trust had a Prudential Borrowing Limit of £16,200,000 in 2005/06 (2004/05: £11,600,000). The Trust has borrowed £7,900,000 in 2005/06 (2004/05: £5,600,000).

Performance against the approved Prudential Borrowing Limit (PBL) Ratios is shown below:

Financial Ratios - 2005/06	Actual Ratios	Approved PBL Ratios
Maximum Debt/Capital Ratio	16.19%	<25%
Minimum Dividend Cover	2.74	>1x
Minimum Interest Cover	8.01	>3x
Minimum Debt Service Cover	3.20	>2x
Maximum Debt Service to Revenue	1.82%	<3%

Financial Ratios - 2004/05	Actual Ratios	Approved PBL Ratios
Maximum Debt/Capital Ratio	8.5%	<10%
Minimum Dividend Cover	4.6	>1x
Minimum Interest Cover	24	>3x
Minimum Debt Service Cover	11	>2x
Maximum Debt Service to Revenue	1%	<3%

The Trust has £6,000,000 of approved working capital facility (2004/05: £6,000,000). The Trust had not used the working capital facility at 31 March 2006.

20. Related Party Transactions

Moorfields Eye Hospital NHS Foundation Trust is a public benefit corporation established under the Health and Social Care (Community Health and Standards) Act 2003.

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

The Department of Health is regarded as a related party. During the year Moorfields Eye Hospital NHS Foundation Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent company.

21 Financial Instruments

FRS13 Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Because of the continuing service provider relationship that the Foundation Trust has with Primary Care Trusts and the way those Primary Care Trusts are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS13 mainly applies.

The Foundation Trust has power to borrow in accordance with with the Prudential Borrowing Code issued by the Independent Regulator for Foundation Trusts. Surplus funds may also be invested in accordance with the Investment Policy as approved by the Trust Board. Financial assets and liabilities generated by day-to-day operational activities are not held to change the risks facing the Foundation Trust in undertaking its activities.

As allowed by FRS13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile.

Liquidity Risk

The Foundation Trust's net operating costs are incurred under annual service agreements with Primary Care Trusts, which are financed from resources voted for annually by Parliament. Capital expenditure has been financed from internal funds, donations, and a loan from the Foundation Trust Financing Facility. The loan has been set up to provide a source of capital funding for Foundation Trusts and has funds allocated to it for this purpose from the Treasury. Moorfields Eye Hospital NHS Foundation Trust is not, therefore exposed to significant liquidity risks.

Interest-Rate Risk

52% of the Trust's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. Moorfields Eye Hospital NHS Foundation Trust is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and liabilities.

21.1 Financial assets

	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average
Currency	£000	£000	£000	£000	interest rate %
At 31 March 2006					
Sterling	6,584	3,185	3,399	-	4.3%
Gross financial assets	6,584	3,185	3,399	-	
At 31 March 2005					
Sterling	5,385	940	4,445	-	4.6%
Gross financial assets	5,385	940	4,445	-	

21.2 Financial liabilities

	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average
Currency	£000	£000	£000	£000	interest rate %
At 31 March 2006					
Sterling	42,161	-	13,712	28,449	4.4%
Gross financial liabilities	42,161	-	13,712	28,449	
At 31 March 2005					
Sterling	33,699	-	5,888	27,811	4.6%
Gross financial liabilities	33,699	-	5,888	27,811	

Note: The Public Dividend Capital is of unlimited term.

Foreign Currency Risk

The Trust has negligible foreign currency income or expenditure.

21.3 Fair values

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

	Book Value	Fair Value	Basis of fair valuation
	£000	£000	
	31 March	31 March	
	2006	2006	
Financial assets			
Cash	3,185	3,185	
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provisions	149	149	Note a
Investments	3,250	3,250	Note b
Total	<u>6,584</u>	<u>6,584</u>	
Financial liabilities			
Provisions under contract	(532)	(532)	Note c
Loans	(13,180)	(13,180)	Note d
Public dividend capital	(28,449)	(28,449)	Note e
Total	<u>(42,161)</u>	<u>(42,161)</u>	

	Book Value	Fair Value	Basis of fair valuation
	£000	£000	
	2004/05	2004/05	
Financial assets			
Cash	940	940	
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provisions	145	145	Note a
Investments	4,300	4,300	Note b
Total	<u>5,385</u>	<u>5,385</u>	
Financial liabilities			
Provisions under contract	(288)	(288)	Note c
Loans	(5,600)	(5,600)	Note d
Public dividend capital	(27,811)	(27,811)	Note e
Total	<u>(33,699)</u>	<u>(33,699)</u>	

Notes

a These debtors reflect agreements with commissioners to cover creditors over 1 year for early retirements and provisions under contract, and their related interest charge/unwinding of discount. In line with note c, below, fair value is not significantly different from book value.

b The figure here is the short term investment with the National Loans Fund. It is expected that book value equals fair value.

c Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 2.2% in real terms.

d Loans from the Foundation Trust Financing Facility where it is expected that the book value will equal fair value.

e The figure here is the full value of Public Dividend Capital in the balance sheet and book value should equal fair value.

22 Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due within one year	Creditors: amounts falling due within one year	Creditors: amounts falling due within one year
	2005/06 £000	2004/05 £000	2005/06 £000	2004/05 £000
NHS Foundation Trusts	98	96	489	104
English NHS Trusts	386	502	844	904
Department of Health	451	-	-	1
English Strategic Health Authorities	-	2	5	-
English Primary Care Trusts	2,841	3,572	23	984
RAB Special Health Authorities	-	-	182	5
NHS WGA Bodies	-	-	5	101
Other WGA Bodies	108	60	1,726	3
Total	<u>3,884</u>	<u>4,232</u>	<u>3,274</u>	<u>2,102</u>

	Debtors: amounts falling due after more than one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due after more than one year	Creditors: amounts falling due after more than one year
	2005/06 £000	2004/05 £000	2005/06 £000	2004/05 £000
English Primary Care Trusts	149	145	-	-
Total	<u>149</u>	<u>145</u>	<u>-</u>	<u>-</u>

23 Losses and Special Payments

There were 133 cases of losses and special payments (prior year: 84 cases) totalling £272,697 (prior year: £30,000) approved during 2005-2006.

There were no clinical negligence, fraud, personal injury, compensation under legal obligation and fruitless payment cases where the net payment exceeded £100,000 (prior year nil cases).