

St Andrew's Healthcare

Annual report and financial statements

for the year ended 31 March 2012

Registered charity number: 1104951
Registered company number: 5176998

TUESDAY



A39 30/10/2012 #86
COMPANIES HOUSE

**Annual report and financial statements
for the year ended 31 March 2012**

Contents	Pages
Legal and administrative summary	1
Directors' and Trustees' report	2 - 10
Independent auditors' report to the Trustees of St Andrew's Healthcare	11– 12
Consolidated statement of financial activities for the year ended 31 March 2012	13
Consolidated balance sheet as at 31 March 2012	14
Company balance sheet as at 31 March 2012	15
Consolidated cash flow statement for the year ended 31 March 2012	16
Reconciliation of net incoming resources to net cash inflow from operating activities	16
Notes to the financial statements for the year ended 31 March 2012	17 – 35

St Andrew's Healthcare
Company number 5176998

Legal and administrative summary

The principal address and registered office of St Andrew's Healthcare (the "Charitable Company") is

St Andrew's Healthcare
Billing Road
Northampton
NN1 5DG

The Directors and Officers of the Charitable Company during the year were

Non-Executive Trustee Directors

Charles Wake	Chairman
Stuart Richmond-Watson	Vice Chairman
Sir Peter Ellwood	
James Mackaness	
Peter Winslow	

Executive Trustee Directors

Professor Philip Sugarman	Chief Executive Officer
Nigel Alcock	Chief Finance Officer
Warren Irving	Chief Operating Officer
Fiona Mason	Chief Medical Officer
James Watkins	Director of Development (resigned 31 May 2011)

Company Secretaries

Clare Auty	(reappointed 1 June 2011)
Alister Mitchell	(resigned 1 June 2011)

All Non-Executive and Executive Directors are also Trustees of the Charitable Company. There are a total of 40 (2011: 40) Governor members of which 5 (2011: 5) are Non-Executive Directors as shown above. The full details of the Governor membership can be obtained from the Company Secretary at the registered office.

As detailed in notes 6 and 19, the Charitable Company has direct and indirect shareholdings in a number of companies. St Andrew's Healthcare, together with these consolidated entities form the St Andrew's group of companies (the "Group").

The following act in a professional capacity for the Charitable Company and principal subsidiary, St Andrews Property Management Limited:

Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Cornwall Court 19 Cornwall Street Birmingham B3 2DT
Solicitors	Hewitsons LLP 7 Spencer Parade Northampton NN1 5AB
Bankers	National Westminster Bank plc East of England Corporate Banking 2 nd Floor, 152 Silbury Boulevard Central Milton Keynes MK9 1LT
Investment Managers	Smith & Williamson Investment Management Limited 25 Moorgate London EC2R 6AY

Directors' and Trustees' report

The Trustee Directors present their report together with the audited financial statements for the Group and the Charitable Company for the year ended 31 March 2012

Principal activity

The Group's principal activity is the provision of healthcare services to those experiencing mental disorder

Objectives

The Charitable Company is a leading specialist mental healthcare provider in the UK. The primary objectives of the Charitable Company are to promote the healing of sickness, the relief of suffering, and the relief of need of those experiencing mental disorder, including psychiatric illness, developmental disability, brain injury and other mental disorders by

- the establishment, acquisition and maintenance of residential institutions,
- the provision of community based activities and care, and
- the advancement of education and research in the causes and treatment of mental disorder

It is committed to the education and rehabilitation of its service users and continued development of its staff through research, training and the sharing of best practice

Quality encompasses the delivery of appropriate care with a full appreciation of value for money together with targeted and effective application of charitable resources. The Charitable Company is committed to working with and treating all those in need who cannot be treated by the National Health Service including challenging difficult-to-manage service users to enable them to lead lives which are as productive and satisfying as possible

Structure, governance and management

Status

The Charitable Company is registered in England and Wales as a Charity, number 1104951, as a company limited by guarantee, number 5176998, as a Mental Nursing Home in accordance with the Nursing Homes Act 1975 as amended by the Health Services Act 1980 and the Health and Social Services and Social Security Adjudications Act 1983, and under the Care Standards Act 2000. The Charitable Company is also registered with the Care Quality Commission

Corporate governance

In agreement with the Charity Commission, the Charitable Company has adopted the applicable provisions of the Combined Code of Corporate Governance of the Financial Reporting Council. The Trustees consider this to be an important safeguard for a company limited by guarantee with a unitary board, comprising a balance of unpaid Non-Executive Trustee Directors and Executive Trustee Directors who are also paid employees

The Trustees

The Executive Trustee Directors are selected to fulfil the job descriptions and job titles as determined from time to time by the Board in accordance with the Articles of Association. Prior to appointment, Executive Trustee Directors are subject to rigorous assessment as to their suitability and competence for the position as set out in the relevant job specification. They are then, subject to the recommendation of the Nomination Committee, appointed by the Governor members to the Board. Upon appointment, they receive an induction into the Charity which is tailored to their specific knowledge and experience

Directors' and Trustees' report (continued)

The Trustees (continued)

Non-Executive Trustee Directors are drawn from the Governor members of the Charitable Company on the basis of the specific expertise and experience that they are able to contribute to build a diverse and balanced team of Executives and Non-Executives. It is the function of the Nomination Committee to assess, as vacancies arise across the Governor membership of the Charitable Company, the required attributes of any new proposed Governor members to ensure that the membership not only provides a flexible pool of potential Non-Executive Trustee Directors and members of the Board sub-committees, but also creates a membership that can appropriately safeguard the varied needs of the beneficiaries of the Charity.

The Board informs the Governor members of the Charitable Company on a quarterly basis about the Charitable Company's recent performance and future development. It is through these meetings, together with regular individual visits to specific areas and involvement in committees that the Governor membership is appropriately inducted and trained in the operation of the Charitable Company.

Statement of Trustees' responsibilities

The Trustees (who are also Directors of St Andrew's Healthcare for the purposes of company law) are responsible for preparing the Trustees' Annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charitable Company and the Group and of the incoming resources and application of resources, including the income and expenditure, of the Group for that period. In preparing these financial statements, the Trustees are required to

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charitable Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charitable Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware

- there is no relevant audit information of which the Charitable Company's auditor is unaware, and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Board of Directors

The Charitable Company is controlled by the Board of Directors which meets regularly. Its current composition is four Executive Trustee Directors and five Non-Executive Trustee Directors.

All Executive Trustee Directors meet on a quarterly basis with the Governor members of the Charitable Company in order to report on its operational and financial position, future plans and to draw on the views and experience of the general Charitable Company's membership.

Directors' and Trustees' report (continued)

The Board of Directors (continued)

Executive and Non-Executive Trustee Directors of the Charitable Company represent it on the board of Three Shires Hospital Limited. Three of the Executive Trustee Directors, together with the Company Secretary currently make up the board of St Andrews Property Management Limited (see note 6)

The Non-Executive Trustee Directors regularly meet independently of the Executive Trustee Directors in order to review and evaluate the performance of the Board and associated committees

The Board considers the Non-Executive Trustee Directors to be independent. These Trustee Directors have no financial or other business relationship with the Charitable Company, offering their services on an unpaid and voluntary basis

The Executive Trustee Directors' Team

All day to day management decisions are delegated to the Executive Trustee Directors who together with the Company Secretary meet four times a month, as a team. Decision making within the Charitable Company is governed by a policy of delegated authority. Major strategic and policy decisions are made by the Board. Operational decisions are delegated in a structured way via the Executive Trustee Directors to management in line with the policy

Committees of the Board

The following formally constituted Committees deal with specific aspects of the Charitable Company's affairs in accordance with their written terms of reference, which have been reviewed in the light of the Combined Code

The Audit and Risk Committee

The Audit and Risk Committee's purpose is to assist the Board in the discharge of its responsibilities for financial reporting and corporate control and to provide a forum for reporting by the external auditors

It regularly reviews risk attached to the business and through the activities of both internal and external audit satisfies itself and reports to the Board on the efficacy of the Group's regime of controls

The Audit and Risk Committee's terms of reference are authorised by the Charity Commission. The Committee consists of not less than three members who are appointed by the Board upon recommendation by the Nomination Committee

The Remuneration Committee

The Remuneration Committee comprises of five members, four of whom are Non-Executive Trustee Directors

The Remuneration Committee determines annually the pay and benefits packages of the Executive Trustee Directors, senior management and clinicians. No part of the remuneration of the Executive Trustee Directors is derived from their position as Trustees. The Committee has regard to performance of the Charitable Company, individual performance, external comparatives, and the efficacy of the Board. No Executive Trustee Director has a non-executive or other position outside the Group that attracts remuneration and any consultancy fees are donated back to the Charitable Company

Directors' and Trustees' report (continued)

The Nomination Committee

The purpose of the Nomination Committee is to nominate appropriate candidates for appointment to positions of Director (Executive or Non-Executive) of the Charitable Company, St Andrew's Healthcare nominated Trustee Directors of St Andrews Property Management Limited and Three Shires Hospital Limited, membership of other Board appointed Committees, the Remuneration, Audit and Investment Committees, members of the Pension Trustee Company (save for member nominated Trustees), and Governor members of the Charitable Company

The Nomination Committee comprises at least three Non-Executive Trustee Directors, two of whom must be the Chairman and Vice Chairman of the Board. Other members must be drawn from the Governor members of the Charitable Company including the remaining Non-Executive Trustee Directors. No Executive Trustee Director or employee may be a member of the Nomination Committee, but may be asked to attend meetings. In 2012 Professor Philip Sugarman and Clare Auty were asked to attend

Non-Executive Trustee Director Board appointments must be drawn from the Charitable Company's membership. Recruitment of Executive Trustee Directors is not limited to current employees of the Charitable Company

Nominations are made on the basis of matching the needs of an effective Board against the available skills of the applicants and members who are eligible. Nominations for membership of the Charitable Company, which is open to the public, are determined following a review of the skills, background and mix of the existing members and identifying specific areas where the attributes of potential candidates would strengthen the membership

The Investment Committee

The Charitable Company has an Investment Committee which comprises four members of the Charitable Company, one of whom is a Non-Executive Trustee Director. Directors of the Pension Trustee Company are invited to attend. The Chairman of the Committee, David Laing, is also Chairman of the St Andrew's Healthcare Pension Scheme Trustees

The members of the Committee have been selected specifically for their knowledge, experience and expertise in the investment arena. The Investment Committee advises but has no direct powers, and makes recommendations to the Board and to the Pension Scheme Trustees on the appointments of fund managers, investment strategy and other investment matters regarding the separate investment funds. The Investment Committee meets at least quarterly

Directors' and Trustees' report (continued)

Attendance at meetings

The number of Board meetings and Committee meetings where each Director was a member in the year to 31 March 2012 was as follows

	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee		Investment Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Executive Trustee Directors										
Prof Philip Sugarman	9	9	4	4						
Nigel Alcock	9	9	4	4					4	4
Warren Irving	9	9	4	3						
Fiona Mason	9	9	4	2						
James Watkins (until 31 05 11)	2	-								
Non-Executive Trustee Directors										
Charles Wake	9	9	4	2	3	3	4	4		
Stuart Richmond-Watson	9	7			3	3	4	4	4	-
Peter Ellwood	9	7			3	1	4	3		
James Mackaness	9	8								
Peter Winslow	9	6			3	2	4	4		
Governors										
John McCall			4	3						
Sir John Robinson			4	4	3	3	4	4	4	2
Robert Heygate			4	4						
John Church			4	4						
Alec Foster									4	3
William Francklin									4	3
David Laing									4	3
Lady Juliet Townsend							4	3		

Employment policy

As a progressive service focused organisation, employees at every level are critical to the Charitable Company and its future. Clinical, professional and management expertise are the Charitable Company's major assets. Investment in developing and retaining such skills is ongoing and well established, and is supported by use of in-house and external training programmes.

The Board recognises the value of effective communication and consultation with all employees and informing them of the progress and policies of the Charitable Company. This is achieved through an employees' forum, formal and informal meetings, quarterly briefing groups and internal newsletters.

It is the Charitable Company's policy to encourage the recruitment, training and development of disabled persons on the basis of their aptitude and ability, and the retention and retraining of employees who become disabled.

Directors' and Trustees' report (continued)

Health and safety

The Group strives to provide a safe environment for all employees, service users and visitors to its premises and to comply with relevant health and safety legislation. In addition, the Group aims to protect the health of employees with suitable specific work-based strategies, seeking to minimise the risk of injury from Group activity and ensuring that systems are in place to address health and safety matters. The Group also encourages the involvement of employees and aims for continual improvement in health and safety matters through a formal structure with a reporting and review process.

Public benefit policy

In setting the objectives and planning the activities for the Charitable Company the Board gives careful consideration to the Charity Commission's general guidance on public benefit and in particular its supplementary guidance on fee-charging.

The Charitable Company has always provided public benefit. In response to changes in charity law and regulation (under the Charities Act 2006) it has formalised this with the introduction of a public benefit policy (the "Policy"). In accordance with the Policy, a public benefit audit is performed annually in April each year and was last carried out in April 2012.

The Trustee Directors are satisfied that the majority of the Charity's activities fall within its charitable objectives with any additional activities being for the benefit of local communities and other charities.

During 2011/12 the Charity provided residential care to 996 service users – a record number. In addition, through its consultancy service and community services the Charity helped a further 711 people and even more through its in-reach services into prisons and young offender institutions. The Charity published 81 research publications and staff spoke at 23 conferences, with the Charity directly hosting 13 of these. More service users than ever have gained qualifications, with at least 574 examinations being taken. St Andrew's has continued to invest heavily in its own staff, spending £2m on development and training – we actively believe that trained, dedicated staff are the key to quality care.

More professionals than ever have been involved in working with external, not for profit organisations, both local and national bodies, from the Royal College of Psychiatrists and Department of Health steering committees to special interest groups such as the Huntington's Disease Association. We have advised and developed a number of guidelines for use across the sector and continue to sponsor a number of educational materials.

Our specialism and professionalism has been externally recognised in a number of ways from our participation in the national Department of Health, ImR OC project to awards for our food. We believe that our varied contribution and continued focus on helping as many people as possible led to us being recognised within the healthcare sector by the "Third Sector Provider of the Year" award.

Business review

The Charitable Company operates residential mental healthcare facilities based in Northampton, Birmingham, Nottinghamshire and Essex. Most of its income arises through referrals from the National Health Service. During 2011/12 St Andrew's continued the trend established in recent years towards increased specialisation and the treatment of more difficult-to-manage service users. This has helped the Charitable Company offset the well publicised pressures within the National Health Service to achieve cost savings.

Following the opening of William Wake House and St Andrew's Nottinghamshire during 2010/11, the last 12 months have been a period of consolidation for the Group. The number of service users cared for increased steadily during the year with much of the growth occurring in these two new developments. This has had a positive impact on our income which grew by 4.5% to £169m. As expected, however, there was an increased depreciation charge and disproportionately high ward costs whilst occupancy in these new buildings was in build-up, resulting in a reduced surplus. Encouragingly, the level of cash generated from operating activities was maintained at a comparable level to the previous year with a net inflow of £23m achieved by the Group despite these significant pressures on both pricing and costs.

Directors' and Trustees' report (continued)

Business review (continued)

Result for the year

The overall financial result for the year prior to the actuarial and curtailment gains on the defined benefit pension scheme was £10.9m (2011 £16.0m)

Charitable and other discounts of £1.4m (2011 £1.4m) were granted in respect of a number of residents

The Three Shires Hospital Limited contributed £0.6m (2011 £1.0m) to the consolidated surplus. The lower surplus reflected higher administrative expenses, particularly due to an increased management charge from BMI Healthcare. Encouragingly The Pavilion Clinic Limited became profitable for the first time with a surplus of £0.4m in the year. Further details of the Group companies may be found in notes 6 and 19 to the financial statements.

As a result of the closure of the defined benefit pension scheme to future accruals on 31 March 2012, the historic deficit has been significantly reduced by the resulting curtailment gain.

Key performance indicators

The Charitable Company uses a "Balanced Scorecard" utilising a comprehensive set of key performance indicators including clinical standards, health outcome, clinical risk management, therapeutic activity, market activity, as well as staff and financial indicators to help senior management monitor and manage the Charitable Company's performance.

The main financial indicators are set out below:

	2012	2011	% movement
	£'000	£'000	
Incoming resources from charitable activities	166,941	159,947	4.4%
Direct charitable expenditure	152,492	142,535	7.0%

As explained above in the business review, the increase in expenditure relates primarily to the opening of William Wake House and the Nottinghamshire site part-way through the previous financial year.

Donations

Donations received during the year were £30,000 (2011 £648,000)

Reserves and borrowings

The Charitable Company is a primary trading charity with a significant long term capital development programme. Total funds carried forward as disclosed in the statement of financial activities on page 13 were £175.4m (2011 £150.3m), of which £174.6m related to unrestricted reserves (2011 £149.5m).

The Charitable Company continues to generate a healthy surplus and as in previous years plans to continue to invest its reserves into healthcare facilities both at Northampton and regionally as cash flow permits. At year end, the Group had £208.6m (2011 £201.6m) invested in tangible fixed assets which are not available for other uses.

Directors' and Trustees' report (continued)

During the year £8.7m of bank loans were repaid and the Group's exposure to debt after deducting investments and cash balances reduced to £15.2m (2011 £18.8m). The Board continues to closely monitor net liquidity with capital funding and the level of reserves reviewed annually and at the time that each major element of expenditure becomes a firm commitment. Loan facilities have been arranged with the Charitable Company's bank in order to be able to best meet short to medium term cash flow requirements.

The Charitable Company self insures the first £0.5m of potential medical malpractice liability that for prudence requires a level of reserve. The pension provision of £4.7m (2011 £20.3m) is recognised on the balance sheet, should the stock market not perform to expectation or a high level of financial performance not be maintained, this deficit will require additional funding. Additional pension funding of £2.0m (2011 £2.0m) was contributed during the year ended March 2012 and the Charitable Company has agreed with the Pension Scheme Trustees the appropriate level of additional funding required in future years.

Investment policy and performance

Investments are managed by the Group's Fund manager on a discretionary basis without restrictions regarding social, environmental and ethical considerations. Investment performance is measured against the WM Charity Fund index monitor (constrained by Asset Mix) benchmark. The Group's investment performance for the year was a return of 4.4% (2011 8.8%) against the benchmark return of 2.3% (2011 8.4%).

Subsidiary and joint venture undertakings

	% holding	Principal activities
St Andrews Property Management Limited	100%	Management of construction projects and certain non-core activities
Three Shires Hospital Limited	50%	Acute medical surgical hospital
The Pavilion Clinic Limited	25.5%	Diagnostic and outpatient facility
St Andrew's Group of Hospitals Limited	100%	Dormant

Further details are provided in note 6 of the financial statements and in the result for the year section on page 8.

Payment of creditors

The Charitable Company aims to pay creditors in line with agreed payment terms. Average creditor days were 25 (2011 30 days).

Principal risks and uncertainties

Inherent in running an organisation primarily dealing with mental healthcare is a robust awareness of risk, together with active risk recognition and management. The Charitable Company has a number of risk management policies and processes together with an established Programme and Risk Management Board.

The Board maintains a rigorous review of risk and where deficiencies are identified appropriate remedial action is implemented. In addition, certain key functions have been strengthened recently and there is well established internal audit function which continues to review the effectiveness of the Charitable Company's control environment.

The Group is exposed to the following significant business risks:

Market risk

Whilst the Charitable Company has not seen a downturn in activity, an ongoing risk to the organisation arises from the financial pressures within the National Health Service and the adoption of the Operating Framework Agreement which could potentially limit the volume of referrals. To date, these risks have been successfully mitigated by the ongoing expansion of our more specialised services.

Directors' and Trustees' report (continued)

Pricing risk

The Charitable Company's pricing strategy is set to mitigate the occupancy risk associated with financial pressures on the National Health Service by ensuring that, whilst a high quality of care is provided, the prices charged remain competitive relative to the independent sector. The Group continues to closely scrutinise costs to mitigate this risk.

Investment risk

An ongoing risk facing the Group, in common with many other organisations, is the current state of the financial markets. This impacts upon the valuation of the Charitable Company's pension fund, the valuation of investments and the ease of securing additional finance for the Group. The ongoing recovery plan has contributed to the reduced pension fund deficit, as well as, the closure of the scheme to future accruals which has resulted in a curtailment gain.

The Group continues to pursue a conservative funding policy, borrowing against loan facilities in advance of expenditure commitments to secure lower interest rates where possible and to avoid the risks associated with investment liquidation in uncertain markets.

Competitor risk

The Charitable Company operates in a competitive market for outsourced mental healthcare, where the competitors are almost exclusively "for profit" organisations. Through consolidation, these competitors may be able to generate enhanced economies of scale and they may respond to any reductions in volume from the public sector by reducing prices in an attempt to increase their occupancy levels. Whilst this is a recognised risk for the Group, to date it has been more than offset by the Group's reputation for providing a high quality of care.

Property-related risks

With the introduction of more stringent low secure standards expected later this year, some of our older wards require refurbishment to ensure that St Andrew's continues to satisfy regulations and provides high quality environments for its service users to live in. For some years, the Charitable Company has had a rolling programme of building works to address such concerns with, for example, a significant refurbishment of the Essex site is now nearing completion.

Independent auditors

The auditor to the Group, PricewaterhouseCoopers LLP, also provides limited non-audit services in respect of value added tax and taxation advice. Such advice is provided by a separate office from the audit service and is of a limited scale, such that auditor objectivity and independence is assured. In addition PricewaterhouseCoopers LLP have confirmed in writing that they do not believe these matters threaten their independence and objectivity.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board



Nigel Alcock
Trustee Director and Chief Finance Officer

29 June 2012

Independent auditors' report to the Members and Trustees of St Andrew's Healthcare

We have audited the financial statements of St Andrews Healthcare for the year ended 31 March 2012 which comprise the consolidated statement of financial activities, the consolidated balance sheet, the Company balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 3, the Trustees (who are also the Directors of the Charitable Company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Charity's Members and Trustees as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and Charitable Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Trustees, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Charitable Company's affairs as at 31 March 2012, and of the Group's incoming resources and application of resources, including its income and expenditure and Group's cash flows, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the Members and Trustees of St Andrew's Healthcare (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 require us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Charitable Company or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Charitable Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
Birmingham
29 June 2012

Consolidated statement of financial activities (incorporating income and expenditure accounts) for the year ended 31 March 2012

	Note	Restricted Funds	Unrestricted Funds	Total 2012	Total 2011
		£'000	£'000	£'000	£'000
Incoming resources from generated funds					
Investment income	7(a)	-	1,428	1,428	822
Voluntary income	7(d)	30	-	30	648
Incoming resources from charitable activities	2	-	166,941	166,941	159,947
Pension finance income	16	-	334	334	-
Total incoming resources		<u>30</u>	<u>168,703</u>	<u>168,733</u>	<u>161,417</u>
Resources expended					
Cost of generating funds – investment managers fees		-	(44)	(44)	(43)
Cost of charitable activities	3(a)	(15)	(152,477)	(152,492)	(142,535)
Governance costs	3(b)	-	(138)	(138)	(221)
Other resources expended					
Minority interest share in joint ventures and subsidiary undertakings	5	-	(612)	(612)	425
Interest payable and similar charges	7(e)	-	(2,992)	(2,992)	(2,448)
Pension finance cost	16	-	-	-	(787)
Total resources expended		<u>(15)</u>	<u>(156,263)</u>	<u>(156,278)</u>	<u>(145,609)</u>
Net incoming resources before other gains and losses		15	12,440	12,455	15,808
Other recognised gains and losses					
Gains on investment asset disposals	7(b)	-	732	732	1,414
Taxation	17	-	(211)	(211)	(458)
Net income for year adjusted for taxation and gains on investment asset disposals		15	12,961	12,976	16,764
Losses on revaluation of investments	7(c)	-	(2,061)	(2,061)	(746)
Actuarial gain on defined benefit pension scheme	16	-	324	324	15,101
Curtailment gain on defined benefit pension scheme	16	-	13,804	13,804	-
Net movement in funds		<u>15</u>	<u>25,028</u>	<u>25,043</u>	<u>31,119</u>
Reconciliation of funds					
Total funds brought forward		<u>822</u>	<u>149,523</u>	<u>150,345</u>	<u>119,226</u>
Total funds carried forward	14	<u>837</u>	<u>174,551</u>	<u>175,388</u>	<u>150,345</u>

There is no difference between the net incoming resources and its historical cost equivalent. The above results are derived from continuing activities and the Company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of recognised gains and losses has been presented.

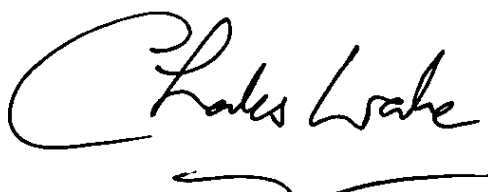
The Charitable Company continues to generate a healthy surplus and as in previous years plans to continue to invest its reserves into healthcare facilities both at Northampton and regionally as cash flow permits.

Consolidated balance sheet as at 31 March 2012

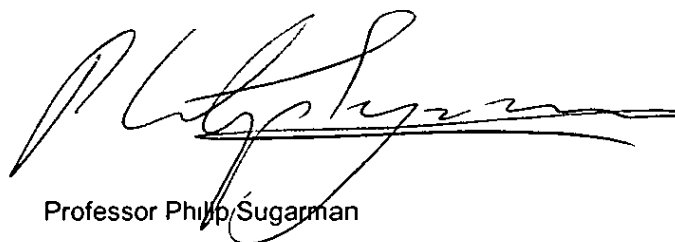
	Note	Restricted	Unrestricted	Total 2012	Total 2011
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	8(a)	-	778	778	843
Tangible assets	8(a)	-	208,573	208,573	201,647
Investments	8(a)	-	17,591	17,591	18,753
		-	226,942	226,942	221,243
Current assets					
Stocks	9	-	1,164	1,164	961
Debtors	10	-	9,121	9,121	8,947
Cash at bank and in hand	11	837	14,090	14,927	18,853
		837	24,375	25,212	28,761
Liabilities					
Creditors amounts falling due within one year	12	-	(39,237)	(39,237)	(30,973)
Net current assets/(liabilities)		837	(14,862)	(14,025)	(2,212)
Total assets less current liabilities		837	212,080	212,917	219,031
Creditors amounts falling due after more than one year	13	-	(32,738)	(32,738)	(47,737)
Provisions for liabilities	18	-	(21)	(21)	-
Net assets excluding pension scheme liability		837	179,321	180,158	171,294
Pension scheme liability	16	-	(4,696)	(4,696)	(20,349)
Net assets including pension liability		837	174,625	175,462	150,945
Funds of the Group					
Funds	14	837	178,697	179,534	170,694
Pension reserve	16	-	(4,696)	(4,696)	(20,349)
Funds including pension liability	14	837	174,001	174,838	150,345
Minority interest		-	624	624	600
Total funds of the Group	14	837	174,625	175,462	150,945

Total funds include a revaluation surplus of £8,700,000 (2011 £10,761,000) reflecting the cumulative unrealised gains made on investments held at 31 March 2012

The financial statements on pages 13 to 35 were approved by the Board of Directors on 29 June 2012 and signed on their behalf by



Charles Wake
Members of the Board of Directors



Professor Philip Sugarman

Company balance sheet as at 31 March 2012

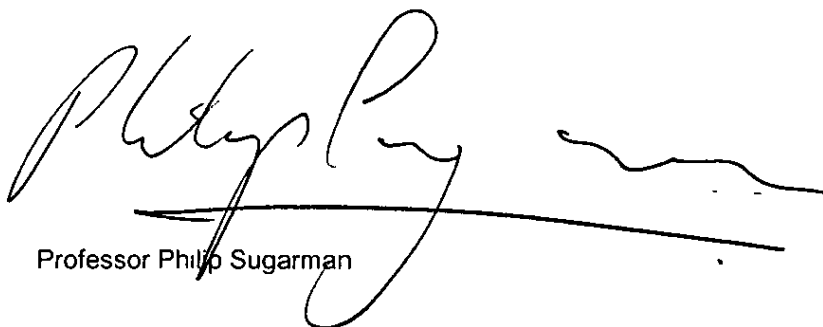
	Note	Restricted	Unrestricted	Total 2012	Total 2011
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8(b)	-	217,731	217,731	211,807
Investments	8(a)	-	17,591	17,591	18,753
		<u>-</u>	<u>235,322</u>	<u>235,322</u>	<u>230,560</u>
Current assets					
Stocks	9	-	344	344	340
Debtors falling due after more than one year	10	-	2,750	2,750	1,250
Debtors falling due less than one year	10	-	6,800	6,800	7,137
Cash at bank and in hand	11	837	10,282	11,119	16,506
		<u>837</u>	<u>20,176</u>	<u>21,013</u>	<u>25,233</u>
Liabilities					
Creditors amounts falling due within one year	12	-	(34,091)	(34,091)	(26,541)
Net current assets/(liabilities)		<u>837</u>	<u>(13,915)</u>	<u>(13,078)</u>	<u>(1,308)</u>
Total assets less current liabilities		837	221,407	222,244	229,252
Creditors amounts falling due after more than one year	13	-	(31,810)	(31,810)	(47,581)
Net assets excluding pension scheme liability		837	189,597	190,434	181,671
Pension scheme liability		-	(4,696)	(4,696)	(20,349)
Net assets including pension liability		<u>837</u>	<u>184,901</u>	<u>185,738</u>	<u>161,322</u>
Funds of the Company					
Funds	14	837	189,597	190,434	181,671
Pension reserve	16	-	(4,696)	(4,696)	(20,349)
Total funds of the Company	14(b)	<u>837</u>	<u>184,901</u>	<u>185,738</u>	<u>161,322</u>

Total funds include a revaluation surplus of £8,700,000 (2011 £10,761,000), reflecting the cumulative unrealised gains made on investments held at 31 March 2012

The financial statements on pages 13 to 35 were approved by the Board of Directors on 29 June 2012 and signed on their behalf by



Charles Wake
Members of the Board of Directors



Professor Philip Sugarman

Consolidated cash flow statement for year ended 31 March 2012

	Restricted Funds	Unrestricted Funds	Total 2012	Total 2011
	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	(15)	24,735	24,720	23,522
Cash donations	30	-	30	648
Pension contribution in excess of current service cost	-	(2,021)	(2,021)	(1,683)
	<u>15</u>	<u>22,714</u>	<u>22,729</u>	<u>22,487</u>
Returns on investments and servicing of finance				
Dividends received	-	262	262	21
Interest received	-	136	136	110
Dividends paid	-	(550)	(550)	-
Rental income received	-	1,030	1,030	691
Interest paid	-	(3,080)	(3,080)	(2,448)
Net cash inflows from returns on investments and servicing of finance	<u>-</u>	<u>(2,202)</u>	<u>(2,202)</u>	<u>(1,626)</u>
Taxation	<u>-</u>	<u>(485)</u>	<u>(485)</u>	<u>(464)</u>
Capital expenditure and financial investment				
Purchase of tangible fixed assets	-	(15,092)	(15,092)	(29,052)
Sales of tangible fixed assets	-	4	4	27
Purchase of investments	-	(2,673)	(2,673)	(552)
Sale of investments	-	2,506	2,506	4,060
Net cash outflow from capital expenditure and financial investment	<u>-</u>	<u>(15,255)</u>	<u>(15,255)</u>	<u>(25,517)</u>
Total movements before financing	15	4,772	4,787	(5,120)
Financing				
Net (decrease)/increase in loans, finance leases and hire purchase	-	(8,713)	(8,713)	18,845
Increase/(decrease) in cash	<u>15</u>	<u>(3,941)</u>	<u>(3,926)</u>	<u>13,725</u>

Reconciliation of net cash flow to movement in net funds (debts)

(Decrease)/increase in cash	15	(3,941)	(3,926)	13,725
Net cash outflow from financing	<u>-</u>	<u>8,713</u>	<u>8,713</u>	<u>(18,845)</u>
Change in net funds	15	4,772	4,787	(5,120)
Net funds/(debt) at 1 April	<u>822</u>	<u>(38,422)</u>	<u>(37,600)</u>	<u>(32,480)</u>
Net funds/(debt) at 31 March	<u>837</u>	<u>(33,650)</u>	<u>(32,813)</u>	<u>(37,600)</u>

Reconciliation of net incoming resources to net cash inflow from operating activities

	Restricted Funds £'000	Unrestricted Funds £'000	Total 2012 £'000	Total 2011 £'000
Net incoming resources	15	12,440	12,455	15,808
Intangible fixed assets - amortisation	-	65	65	65
Tangible fixed assets - depreciation	-	8,159	8,159	6,016
Tangible fixed assets - loss on disposal	-	3	3	264
Deduct/(add) pensions finance cost	-	(334)	(334)	787
Increase in stocks	-	(203)	(203)	(183)
(Increase)/decrease in debtors	-	(174)	(174)	2,829
Increase/(decrease) in creditors	-	2,361	2,361	(3,248)
Increase in provisions (non FRS17)	-	830	830	-
Income from investments	-	(1,428)	(1,428)	(822)
Interest payable	-	2,992	2,992	2,448
Movement in minority interest	-	24	24	206
Donations	<u>(30)</u>	<u>-</u>	<u>(30)</u>	<u>(648)</u>
Net cash inflow from operating activities	<u>(15)</u>	<u>24,735</u>	<u>24,720</u>	<u>23,522</u>

Notes to the financial statements for the year ended 31 March 2012

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared on a going concern basis, in compliance with the Companies Act 2006 under the historical cost convention as modified by the valuation of investments at market value, and in accordance with the Statement of Recommended Practice Accounting and Reporting by Charities (revised 2005) (SORP 2005) and applicable accounting standards in the United Kingdom

A summary of the principal accounting policies of the Group, which have been applied consistently is set out below

The Charitable Company has availed itself of paragraph 3(3) of schedule 4 of the Companies Act 2006 and adapted the Companies Act formats to reflect the special nature of the Charitable Company's activities. No separate statement of financial activities has been presented for the Charitable Company alone as permitted by section 423 of the Companies Act 2006 and paragraph 397 of the Charities SORP 2005. The gross income for the year for the Charitable Company was £152.1m (2011: £146.0m) and the surplus was £12.4m (2011: £16.1m).

Funds and reserves

The Group is financed by a combination of unrestricted funds and restricted funds. Sufficient resources are held in an appropriate form to enable each fund to be applied in accordance with restrictions imposed.

Unrestricted funds

Unrestricted funds comprise fixed assets, investments and working capital employed within the Charitable Company. Funds represented by fixed assets utilised within the "business" of the Charitable Company are not freely available for other purposes and thus additional funds (held as investments) are required to support the reserves policy as set out in the Directors' and Trustees' report. These funds represent monies put aside and invested in support of the requirement of the reserves policy.

Unrestricted funds represent funds which can be expended as the Trustees see fit, in accordance with the objectives of the Charitable Company.

Restricted funds

Restricted funds are income funds and are held in respect of specific legacies and donations received where the use of those funds is restricted to a particular purpose by the donor.

Basis of consolidation

The consolidated statement of financial activities and balance sheet include

- St Andrew's Healthcare, the Charitable Company (formerly St Andrew's Group of Hospitals),
- St Andrews Property Management Limited a wholly owned subsidiary undertaking,
- Three Shires Hospital Limited, a subsidiary of St Andrews Property Management Limited,
- The Pavilion Clinic Limited, a subsidiary of Three Shires Hospital Limited,
- St Andrew's Hospital (the original charity, dormant since 2009)

All subsidiaries have a year end of 31 March. All intra-group sales and profits are eliminated on consolidation. New subsidiaries included in the Group for the first time are consolidated from the date of acquisition.

Uniform accounting policies have been adopted across the Group.

Notes to the financial statements for the year ended 31 March 2012 (continued)

1 Principal accounting policies (continued)

Basis of consolidation (continued)

Joint ventures

Joint ventures, which meet the definition of a subsidiary undertaking, are included in the consolidated financial statements of the Charitable Company. Other joint ventures are accounted for under FRS 9 "Associates and Joint Ventures" such that the Group's share of the surplus or deficit is included in the statement of financial activities in that year.

Basis for recognising liabilities and provisions

Liabilities are recognised as soon as there is a legal or constructive obligation committing the Group to expenditure. Provisions are made as a fair estimate of a liability arising or the reduction in value of an asset. The Group is not a grant making body and there are no long term liabilities, other than those held with banks.

Basis for allocation of resources expended

The majority of resources expended are directly in pursuit and support of the charitable aim. Only those resources primarily expended in governance costs of the Group are identified as such. As a primary trading charity, no material amounts are currently expended or are separately identified as costs of generating funds except investment management fees.

Fixed assets and depreciation

Intangible fixed assets – acquired goodwill is written off in equal annual instalments over its estimated useful economic life, normally considered to be 20 years. The Trustee Directors' assessment of the useful economic life of this goodwill is based on the expected future profitability of the relevant entity.

Tangible fixed assets are stated at historic purchase cost, net of accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write off the cost less estimated residual value over the expected useful lives of the assets. Only asset additions in excess of £5,000 per item or group of items are capitalised. Depreciation is charged on additions from the month after acquisition or completion (for those assets under construction). Any assets disposed of during the year include depreciation up to and including the month of disposal.

The rates used are

Asset	Rate	Basis
New buildings	2%	Straight line
Building extensions	4%	Straight line
Building refurbishments	10%	Straight line
New building fit-out	33.3%	Straight line
IT hardware	20%	Straight line
IT (all excluding hardware)	25%	Straight line
Fixtures, fittings, plant and machinery	20 - 25%	Straight line
Motor vehicles	20%	Straight line

No depreciation is charged on land or on assets in the course of construction. Assets obtained under finance leases are capitalised in the balance sheet. These assets are depreciated over their estimated useful lives or the lease term, whichever is shorter.

Notes to the financial statements for the year ended 31 March 2012 (continued)

1 Principal accounting policies (continued)

Land and buildings

Land and buildings represent the cost of buildings incurred at various dates since the charity was founded. Only the cost of new buildings, extensions to existing buildings and substantial structural renovations are capitalised. Refurbishments, including integral fixtures and fittings, are regarded as repairs and charged to the statement of financial activities as incurred on the basis that this maintains the standard of performance of the assets. It is the Group's policy to maintain freehold properties in such condition that the value of the estate, taken as a whole, is not impaired by the passage of time.

Stocks

Stocks comprising pharmacy stocks and general stock held in the Group's stores are included at the lower of cost and net realisable value. Stock is valued on a first in first out basis (FIFO). Provision is made for slow moving and obsolete stock.

Operating leases

Rent receivable and payable under operating leases is credited or charged to the statement of financial activities on a straight line basis over the period of the lease.

Finance leases

Tangible fixed assets acquired under finance leases are capitalised at cost and the outstanding obligations, less financing charges, are included under borrowings in the balance sheet. Interest is charged to the profit and loss account so as to give a constant periodic rate of charge on the outstanding obligations in each accounting period.

Income

Income is received for fees and other operating activities of the Group. Income is accounted for when receivable and in the period in which a service has been provided and is net of discounts. Investment income receivable is not materially different from that received in the period. Grant income is accounted for in the period it is received and where such income is received for a specific purpose it is accounted for as a restricted fund until expended in the pursuit of that purpose.

Investments and investment gains or losses

Investments, including investment properties, are shown at market value. Long term investments, where market value is readily ascertainable, are shown at market value, where market value is not readily ascertainable then they are shown at cost, unless in the opinion of the Trustee Directors, they have suffered a permanent diminution of value, when they will be stated net of impairment. Investment property is stated at market value as assessed by external qualified surveyors. Investment gains and losses realised on disposal and unrealised on revaluation, are recognised as they occur in the statement of financial activities.

Investment properties are revalued on an annual basis and externally valued by a chartered surveyor every 5 years.

Pensions

The Group has two types of pension scheme.

Defined contribution scheme

For the defined contribution scheme, contributions are made into a group personal pension plan and are currently set at a minimum of 4% of basic salary. The employee rate is a minimum of 3% of basic salary to qualify for the employer's contribution. The Charitable Company's contributions are charged to the statement of financial activities each year during the period in which the employee is an active member of the scheme. The costs of administering the scheme and providing for death in service cover are met by the Group.

Notes to the financial statements for the year ended 31 March 2012 (continued)

1 Principal accounting policies (continued)

Final salary scheme

The Group also operated a final salary pension scheme. This scheme was closed to existing members on 31 March 2012. The pension liability recognised in the balance sheet is the obligation of the Group being the present value of the scheme's liabilities less the value of its assets.

The pension costs for the scheme are analysed into current service cost, past service cost, net expected return on pension assets and interest on pension liabilities. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period. Past service cost, relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits are recognised in the statement of financial activities.

Net expected return on the pension scheme assets comprises the expected return on the pension scheme assets less interest on scheme liabilities.

The actuarial gains and losses which arise from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the statement of financial activities.

Irrecoverable value added tax

Any irrecoverable value added tax is charged to the statement of financial activities, or capitalised as part of the cost of the related asset, where appropriate.

Taxation

The Charitable Company is potentially exempt from taxation in respect of income and capital gains received within categories covered under Part 11 Chapter 3 Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The Charitable Company's subsidiaries and joint ventures are subject to corporation tax and deferred tax in the same way as commercial organisations and as such, liabilities are included where appropriate.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Major donations

Where major donations are received comprising assets and liabilities other than cash, the net amount representing the Trustee Directors' valuation of the asset received net of any attached liability is accounted for in the statement of financial activities. Appropriate adjustment is made in the cash flow statement in order to properly identify the cash effects of such donations.

Service users' funds

The Charitable Company holds monies on behalf of service users (shown within other creditors). The Charitable Company holds cash and investments (shown within other debtors) to provide for this liability.

Notes to the financial statements for the year ended 31 March 2012 (continued)

2 Incoming resources for charitable activities

	2012 £'000	2011 £'000
Fees	166,941	159,947

Fees are generated from all areas of healthcare activities across the Group. Maintenance fees includes £15,636,000 (2011 £14,709,000) in respect of Three Shires Hospital Limited and The Pavilion Clinic Limited. Education funding received from the Learning and Skills Council represents approximately 2% of the maintenance fees (2011 2%).

3(a) Costs of charitable activities

	2012 £'000	2011 £'000
Direct charitable expenditure		
Staff costs (see note 4)	114,573	104,187
Housekeeping and residents' expenses	13,413	14,838
Establishment	7,529	9,362
Administration	7,938	6,503
Advertising	339	471
Depreciation and amortisation – owned assets	8,055	5,910
Depreciation on finance leased assets	169	171
(Release)/provision for bad and doubtful debts	(287)	25
Loss on disposal of fixed assets	3	264
Operating lease costs – land and buildings	422	422
Operating lease costs – plant and machinery	338	382
Total direct charitable expenditure	152,492	142,535

3(b) Governance costs

	2012 £'000	2011 £'000
Governance costs of the Group		
External audit – Charitable Company auditors	81	70
External audit – other Group auditors	11	17
Charitable Company auditors' taxation services	7	58
Charitable Company auditors' other services	5	-
Accountancy advice – other Group auditors	19	52
Indemnity insurance	12	13
Trustees' expenses	3	11
Total governance costs of the Group	138	221

During the year, the Non-Executive Trustee Directors did not receive any remuneration in their role as Non-Executive Trustee Directors, or reimbursed expenses from the Group other than a total of £3,000 paid to 5 Trustees (2011 £11,000 paid to 6 Trustees) by way of reimbursement for travelling expenses incurred. All the above costs have been covered from unrestricted funds.

In addition, internal audit costs of £157,000 (2011 £135,000) were incurred by the Charitable Company and are included within staff costs in note 4.

Notes to the financial statements for the year ended 31 March 2012 (continued)

4 Staff costs and emoluments

	Group	Group
	2012	2011
	£'000	£'000
Staff costs in note 3(a) are analysed as		
Wages and salaries	99,622	88,976
Social security costs	9,092	8,116
Other pension costs	5,859	7,095
Staff costs	114,573	104,187

The average monthly numbers of whole time equivalent (WTE) employees (including Directors employed on a service contract) are

	Group	Group	Charitable Company	Charitable Company
	2012	2011	2012	2011
	WTE	WTE	WTE	WTE
Clinical	523	494	490	462
Nursing	1,615	1,515	1,549	1,448
Support	1,000	923	937	858
Management	14	20	14	20
	3,152	2,952	2,990	2,788

The increase in headcount has primarily been driven by the opening of the new regional site in Nottinghamshire and expansion at the Northampton site

The number of employees whose total emoluments excluding pension contributions for the year fell in each band of £10,000 from £60,000 upwards is as follows

	Group and Charitable Company	
	2012	2011
	Number	Number
£60,001 to £70,000	23	18
£70,001 to £80,000	17	17
£80,001 to £90,000	16	21
£90,001 to £100,000	16	11
£100,001 to £110,000	10	12
£110,001 to £120,000	-	5
£120,001 to £130,000	9	6
£130,001 to £140,000	11	7
£140,001 to £150,000	11	4
£150,001 to £160,000	3	3
£160,001 to £170,000	1	2
£170,001 to £180,000	3	2
£180,001 to £190,000	2	1
£190,001 to £200,000	1	1
£220,001 to £230,000	-	1
£230,001 to £240,000	1	-
£550,001 to £560,000	1	-
£560,001 to £570,000	-	1

In relation to the employees above, contributions of £385,964 (2011 £277,039) were paid in respect of 77 members (2011 60) of the defined contribution pension scheme and 33 (2011 38) members of the final salary scheme (see note 16)

Notes to the financial statements for the year ended 31 March 2012 (continued)

4 Staff costs and emoluments (continued)

Although guidance within SORP 2005 notes that Trustees are not normally expected to receive remuneration for these services, the Board have recognised the need to attract and retain able executives to manage the day to day affairs of the Group. The remuneration of senior executives is determined by the Remuneration Committee, who draw on their knowledge of the current market for equivalent positions in the healthcare and other relevant organisations.

The highest paid employee received total remuneration of £552,005 (2011 £564,005). In addition, the accrued pension entitlement under the defined benefit scheme and an employer-financed retirement benefits scheme (EFRBS) during the year was £4,000 (2011 £nil).

Directors' emoluments

	2012 £'000	2011 £'000
Aggregate emoluments	1,183	1,155
Retirement benefits are accruing to 3 (2011 5) Executive Trustee Directors under a defined benefit scheme		
Annual pension entitlement accruing to the Executive Trustee Directors under the defined benefits pension scheme	200	213
Value of cash sum benefit	342	640

5 Minority interest share in joint ventures and subsidiary undertakings

Share of consolidated results for Three Shires Hospital Limited, a joint venture with BMI Healthcare providing acute medical surgical service

	2012 £'000	2011 £'000
Minority interest share in The Pavilion Clinic Limited	288	(425)
Minority interest in Three Shires Hospital Limited	324	1,040
Minority interest share	612	615

6 Interest in subsidiary undertakings

Investment entity	Holding %	Registered	Results for the financial year
St Andrews Property Management Limited ¹	100%	England and Wales	Net assets £1,237,130 Surplus £507,000
Three Shires Hospital Limited ²	50%	England and Wales	Net assets £4,768,241 Surplus £643,720
The Pavilion Clinic Limited ²	25.5%	England and Wales	Net liabilities (£1,886,922) Surplus £386,153
St Andrew's Group of Hospitals Limited	100%	England and Wales	Dormant Net Assets £2

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

¹ St Andrews Property Management Limited manages construction projects and certain non-core sporting and recreational facilities for the Group. The Charitable Company owns 100% of the two £1 ordinary shares of the company. All taxable profits are donated to the Charitable Company. £nil (2011 £254,000).

² The Charitable Company is an indirect shareholder of Three Shires Hospital Limited. St Andrews Property Management Limited acquired 1,250,000 £1 shares on 8 April 2004 amounting to 50% of the issued share capital of the company. The Group has a controlling interest in this company through the provisions of a shareholders agreement giving the Group the power to appoint the Chairman and under certain circumstances, exercise a casting vote. Three Shires Hospital Limited operates an acute medical surgical hospital situated in the grounds of St Andrew's Healthcare in Northampton. Three Shires Hospital Limited, together with Global Diagnostics Limited formed The Pavilion Clinic Limited in July 2007. Three Shires Hospital Limited has the controlling interest and holds 51% of the issued ordinary share capital.

Notes to the financial statements for the year ended 31 March 2012 (continued)

6 Interest in subsidiary undertakings (continued)

The financial performance for the subsidiary undertakings during the year is as follows

	St Andrews Property Management Limited		Three Shires Hospital Limited (inc. The Pavilion Clinic Limited)	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Gross incoming resources	125	9,458	15,636	14,709
Expenditure on charitable activities	58	8,716	14,298	13,488
Expenditure on governance	7	46	30	69
Fixed assets (including intangible and investment assets)	2,672	1,677	3,338	3,714
Current assets	1,698	2,704	5,550	3,100
Liabilities due within on year	(383)	(2,401)	(5,063)	(3,704)
Liabilities due after more than one year	(2,750)	(1,250)	(949)	(157)
7(a) Investment income				
			2012	2011
			£'000	£'000
Dividends			262	21
Interest			136	110
Rental income			1,030	691
			1,428	822
7(b) Gains/(losses) on revaluation and investment asset disposal				
			2012	2011
			£'000	£'000
Realised gain on disposal of investments			732	1,414
Unrealised loss on revaluation of investment assets (see note 7c)			(2,061)	(746)
Net gain			(1,329)	668

Notes to the financial statements for the year ended 31 March 2012 (continued)

7(c) Investment assets (Group and Charitable Company)

	2012 Cost £'000	2012 Market value £'000	2011 Cost £'000	2011 Market value £'000
Unrestricted funds				
General reserve investments	7,961	11,541	7,062	11,150
Well Vale Estates	12	407	12	410
Bowden House	679	4,500	679	6,150
Charity Commissioners deposits	239	1,143	239	1,043
Total investment assets	8,891	17,591	7,992	18,753
Surplus of market value over cost		8,700		10,761
Less prior year surplus		(10,761)		(11,507)
Unrealised loss on revaluation of investments for the year to 31 March		(2,061)		(746)

All investment assets are held primarily to provide an investment return for the Group. Investments are listed securities on recognised stock exchanges. The general reserve investments comprise 67.0% UK securities with a market value of £7,717,000 (2011: 70.5%, £7,866,000) and 33.0% non-UK securities with a market value of £3,824,000 (2011: 29.5%, £3,284,000). The Well Vale Estates comprise farming lands of approximately 79 acres (2011: 79 acres). Bowden House is an investment property but currently used by a third party paying a market value rent.

7(d) Voluntary income

	2012 £'000	2011 £'000
Other donations	30	648

7(e) Interest payable and similar charges

	2012 £'000	2011 £'000
Bank loan interest	2,918	2,336
Finance lease interest	59	69
Other interest	15	43
	2,992	2,448

Notes to the financial statements for the year ended 31 March 2012 (continued)

8 Fixed assets and investments

(a) Consolidated Group

Tangible and intangible fixed assets	Freehold land and buildings	Assets under construction	Fixtures, fittings and machinery	Motor vehicles	Total tangible assets	Intangible assets - goodwill
Unrestricted funds	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2011	208,206	1,430	20,451	278	230,365	1,351
Additions	5,855	5,672	3,565	-	15,092	-
Disposals	-	-	(18)	(5)	(23)	-
Reclassification	884	(1,219)	335	-	-	-
At 31 March 2012	<u>214,945</u>	<u>5,883</u>	<u>24,333</u>	<u>273</u>	<u>245,434</u>	<u>1,351</u>
Accumulated depreciation						
At 1 April 2011	20,444	-	8,031	243	28,718	508
Charge for the year	4,352	-	3,791	16	8,159	65
Disposals	-	-	(11)	(5)	(16)	-
At 31 March 2012	<u>24,796</u>	<u>-</u>	<u>11,811</u>	<u>254</u>	<u>36,861</u>	<u>573</u>
Net book value at 31 March 2012	<u>190,149</u>	<u>5,883</u>	<u>12,522</u>	<u>19</u>	<u>208,573</u>	<u>778</u>
Net book value at 31 March 2011	<u>187,762</u>	<u>1,430</u>	<u>12,420</u>	<u>35</u>	<u>201,647</u>	<u>843</u>

As a result of the difference between cost and valuation, there is a revaluation reserve of £8,700,000 (2011 £10,761,000) held within unrestricted funds. All investment properties are valued on an annual basis by specialist independent valuers.

Assets in the course of construction primarily relate to the construction of new healthcare facilities which have not been completed at the period end.

The net book value of tangible fixed assets includes £41,000 (2011 £210,000) in respect of assets held under finance leases and includes £89,000 (2011 £294,000) in respect of assets held under hire purchase agreements.

Consolidated Group and Charitable Company

	Unrestricted fund investment £'000
Cost	
At 1 April 2011	7,992
Purchases	2,673
Disposals	(1,788)
Realised profit reinvested	14
At 31 March 2012	<u>8,891</u>
Unrealised gains	
At 1 April 2011	10,761
Loss for the year	(2,061)
At 31 March 2012	<u>8,700</u>
Market valuation at 31 March 2012	<u>17,591</u>
Market valuation at 31 March 2011	<u>18,753</u>

All fixed assets are utilised in the direct charitable activities of the Group. The current market value of land and buildings is not practically determinable without costly external professional advice and would be of limited value in understanding the operation of the Group.

Notes to the financial statements for the year ended 31 March 2012 (continued)

8(b) Charitable Company

Tangible fixed assets	Freehold land and buildings	Assets under construction	Fixtures, fittings and machinery	Motor vehicles	Total
Unrestricted funds	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2011	220,777	1,430	15,035	267	237,509
Additions	4,865	5,672	3,053	-	13,590
Reclassification	1,002	(1,219)	217	-	-
Disposals	-	-	-	(5)	(5)
At 31 March 2012	<u>226,644</u>	<u>5,883</u>	<u>18,305</u>	<u>262</u>	<u>251,094</u>
Accumulated depreciation					
At 1 April 2011	20,478	-	4,991	233	25,702
Charge for the year	4,401	-	3,249	16	7,666
Disposals	-	-	-	(5)	(5)
At 31 March 2012	<u>24,879</u>	<u>-</u>	<u>8,240</u>	<u>244</u>	<u>33,363</u>
Net book value at 31 March 2012	<u>201,765</u>	<u>5,883</u>	<u>10,065</u>	<u>18</u>	<u>217,731</u>
Net book value at 31 March 2011	<u>200,299</u>	<u>1,430</u>	<u>10,044</u>	<u>34</u>	<u>211,807</u>

The net book value of tangible assets includes £89,000 (2011 £294,000) in respect of assets held under hire purchase agreements

9 Stock

	Group 2012	Group 2011	Charitable Company 2012	Charitable Company 2011
	£'000	£'000	£'000	£'000
Consumables	616	653	218	274
Work in progress	422	242	-	-
Finished goods and goods for sale	126	66	126	66
	<u>1,164</u>	<u>961</u>	<u>344</u>	<u>340</u>

10 Debtors

	Group 2012	Group 2011	Charitable Company 2012	Charitable Company 2011
	£'000	£'000	£'000	£'000
Long term debtors				
Loan to subsidiary company	-	-	2,750	1,250
Current debtors				
Trade debtors	4,127	5,284	2,566	3,535
Amounts owed by associated undertakings	-	2	241	1,025
Other debtors	3,401	2,074	2,765	2,037
Prepayment and accrued income	1,593	1,587	1,228	540
	<u>9,121</u>	<u>8,947</u>	<u>6,800</u>	<u>7,137</u>

Notes to the financial statements for the year ended 31 March 2012 (continued)

10 Debtors (continued)

The Charitable Company advanced a loan of £1.25m to St Andrews Property Management Limited to enable it to acquire 50% of the shares in the Three Shires Hospital Limited (see note 19 (a)). The loan has no ultimate repayment date and bears interest at 7.2% for the first 20 years from 8 April 2004 and then 3.25% above National Westminster Bank plc base rate. The Charitable Company entered into a revolving loan agreement with St Andrews Property Management Limited to enable it to finance the purchase and development of sites. The total facility is for £45m and the amount outstanding as at 31 March 2012 was £1.5m (2011: £nil) and is at a variable interest rate of 1% per annum above the base rate of National Westminster Bank plc.

Included within other debtors are assets held to cover liabilities in respect of service users' monies held by St Andrew's Healthcare of £2,765,000 (2011: £2,036,000).

11 Cash at bank and in hand

	2012 £'000	Group Movement £'000	2011 £'000	2012 £'000	Charitable Company Movement £'000	2011 £'000
Cash and deposits						
Unrestricted working capital	13,741	(4,008)	17,749	9,933	(5,469)	15,402
Unrestricted cash at fund manager	349	67	282	349	67	282
Restricted cash	837	15	822	837	15	822
Total cash and deposits	14,927	(3,926)	18,853	11,119	(5,387)	16,506

The Group overdraft limit is £2m, which is subject to annual review with the next review due in June 2012. £nil of the cash balance as at 31 March 2012 (2011: £450,000) is cash relating to service users' monies (see note 10).

12 Creditors: amounts falling due within one year

	2012 £'000	Group 2011 £'000	2012 £'000	Charitable Company 2011 £'000
Bank loans	(15,930)	(8,716)	(15,803)	(8,321)
Trade creditors	(3,970)	(2,630)	(2,763)	(2,315)
Amounts owed to participating interests	-	(928)	(101)	-
Other creditors including taxation and social security	(7,036)	(7,811)	(6,304)	(6,050)
Accruals and deferred income	(12,301)	(10,888)	(9,120)	(9,855)
Total	(39,237)	(30,973)	(34,091)	(26,541)

Included within other creditors are balances in respect of service users' monies of £2,434,000 (2011: £2,486,000).

13 Creditors: amounts falling due after more than one year

	2012 £'000	Group Movement £'000	2011 £'000	2012 £'000	Charitable Company Movement £'000	2011 £'000
Long term loans, finance leases and hire purchase						
Repayable within one to two years	(13,247)	2,713	(15,960)	(13,247)	2,557	(15,804)
Repayable between two and five years	(18,563)	464	(19,027)	(18,563)	464	(19,027)
Repayable after five years	-	12,750	(12,750)	-	12,750	(12,750)
	(31,810)	15,927	(47,737)	(31,810)	15,771	(47,581)
Amounts owed to group undertakings	(928)	(928)	-	-	-	-
Creditors: amounts falling due after more than one year	(32,738)	14,999	(47,737)	(31,810)	15,771	(47,581)

Notes to the financial statements for the year ended 31 March 2012 (continued)

13 Creditors' amounts falling due after more than one year (continued)

The following loan facilities to finance capital development are in place

- £12.75m 10 year bullet loan fixed at 5.5%
- £23.25m 6 year term loan split into 3 equal tranches of £7.75m, repayable on equal annual instalments following a 24 month payment holiday. Interest rates chargeable are as follows:
Tranche 1 £7.75m fixed rate for the remainder of the loan at 6.1%
Tranche 2 £7.75m fixed rate for the term of the loan at 6.1%
Tranche 3 £7.75m fixed rate for the remainder of the loan at 1.5%
- £20m 3.5 year term loan at a fixed rate of 3.2% for the remainder of the loan. Capital repayments are repayable in equal quarterly instalments following an 18 month payment holiday

The loans are secured by first legal charges over the Charitable Company's freehold property at Clare House, North Benfleet, Essex, Cliftonville Middle School, Berkeley Close and The Avenue, Northampton, Dogpool Lane, Birmingham and Sherwood Oaks, Mansfield, Nottinghamshire

The total finance lease creditor falling due after more than one year is £nil (2011: £nil). The total hire purchase creditor falling due after more than one year is £nil (2011: £89,000).

The Trustees have received authorisation from the Charity Commissioners under the power given in section 26 of the Charities Act 2011 to enter into an interest rate swap agreement in order to effectively fix the rate applicable to a variable rate loan facility.

14 Funds

(a) Group

	Restricted funds £'000	Unrestricted funds £'000	Total funds £'000
At 1 April 2011	822	150,123	150,945
Minority interest	-	24	24
Net incoming resources	15	25,028	25,043
Dividends	-	(550)	(550)
At 31 March 2012	837	174,625	175,462

(b) Charitable Company

	Restricted funds £'000	Unrestricted funds £'000	Total funds £'000
At 1 April 2011	822	160,500	161,322
Net incoming resources	15	24,401	24,416
At 31 March 2012	837	184,901	185,738

Notes to the financial statements for the year ended 31 March 2012 (continued)

14 Funds (continued)

(c) Charitable Company

The Company has no share capital and is limited by guarantee. Each of the members has a liability to £1 should there be a deficit of assets after meeting liabilities on winding up.

15 Commitments

At the year end, the capital commitments were as follows

	Group		Charitable Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Authorised and contracted for	-	943	-	-

At the year end, the annual commitments under non-cancellable operating leases for land and buildings were

	Group		Charitable Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Expiring				
After five years	422	422	-	-

At the year end, the annual commitments under non-cancellable operating leases for assets, other than land and buildings, were

	Group		Charitable Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Expiring				
Within one year	308	20	236	20
Between one and five years	491	652	491	580
	799	672	727	600

16 Pension schemes

The Group operates two pension schemes, the assets of which are held separately from each other and those of the Group. The schemes are independently administered and the amounts charged in the accounts represent the contributions payable to the schemes by the employer in respect of the accounting period for the defined contribution scheme. The defined benefit scheme is accounted for in accordance with the requirements of FRS 17.

	2012 £'000	2011 £'000
St Andrew's defined benefit pension scheme liability	(3,866)	(20,349)
Pension provisions in respect of compensation in respect of closure of the defined benefit scheme	(420)	-
Provision in respect of an unfunded employer-financed retirement benefits scheme (EFRBS)	(410)	-
As at 31 March	(4,696)	(20,349)

Notes to the financial statements for the year ended 31 March 2012 (continued)

16 Pension schemes (continued)

On 28 January 2011, the Trust Deed was amended such that with effect from 31 March 2012 the defined benefit scheme closed to the accrual of future pension benefits. This gave rise to the recognition of a curtailment gain during the year of £13,804,000 and additional costs of £420,000 shown within the pension provision, and £210,000 included in staff costs.

In addition to the defined benefit pension scheme provision detailed above, a further provision of £410,000 has been accrued reflecting the discounted value of the EFRBS liability as at 31 March 2012.

The Standard Life group personal pension

The plan is a group personal pension plan. The employee is required to contribute at least 3% of their pensionable pay. The employer contributed 3% of pensionable pay up to 31 December 2010 and thereafter is contributing 4%. The pension cost charge for the year for this scheme was £1,615,000 (2011 £1,383,000). As at 31 March 2012 there was an outstanding accrual of £223,000 (2011 £201,000) for this scheme.

The St Andrew's Group of Hospitals pension scheme

The Group operates a final salary scheme in the UK which was closed to future accrual on 31 March 2012. A full actuarial valuation was carried out as at 31 March 2010 and updated to 31 March 2012 by a qualified independent actuary.

The major assumptions used by the actuary were	2012	2011	2010
Rate of increase in salaries	N/A	5.00%	5.25%
Rate of increase in pension in payment	3.30%	3.50%	3.75%
Rate of increase of pensions in deferment	3.30%	3.75%	3.75%
Discount rate	5.05%	5.45%	5.65%
RPI inflation	N/A	N/A	3.75%
CPI inflation	2.50%	3.00%	N/A

Weighted average life expectancy for mortality tables used to determine benefit obligations were

	2012		2011		2010	
	Male	Female	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.6	25.3	23.5	25.1	22.6	25.7
Member age 45 (life expectancy at age 65)	26.4	28.2	26.3	28.0	24.4	27.8

The assets in the scheme and the expected rate of return were

	2012 Expected long term rate of return	2012 Percentage of plan assets	2012 Market value of plan assets £'000	2011 Expected long term rate of return	2011 Percentage of plan assets	2011 Market value of plan assets £'000
Equity scheme	7.00%	77.10%	121,069	6.90%	77.60%	118,172
Debt securities	4.60%	19.50%	30,727	5.50%	19.00%	29,014
Real estate	7.00%	0.00%	13	6.90%	1.70%	2,524
Cash	0.50%	3.40%	5,377	0.50%	1.70%	2,589
Total assets	6.50%	100.00%	157,186	6.50%	100.00%	152,299

Notes to the financial statements for the year ended 31 March 2012 (continued)

16 Pension schemes (continued)

Change in benefit obligation

	31 March 2012 £'000	31 March 2011 £'000
Benefit obligation at beginning of year	172,648	176,341
Current service cost	5,056	5,712
Interest cost	9,521	10,080
Actuarial gain	(5,489)	(11,496)
Benefits paid from plan/company	(6,022)	(7,284)
Expenses paid	(858)	(705)
Plan curtailments	(13,804)	-
Benefit obligation at end of year	161,052	172,648

Change in plan assets

	2012 £'000	2011 £'000
Fair value of plan assets at beginning of year	152,299	139,995
Expected return on plan assets	9,855	9,293
Actuarial (loss)/gain on plan assets	(5,165)	3,605
Employer contributions	7,077	7,395
Benefits paid from plan/company	(6,022)	(7,284)
Expenses paid	(858)	(705)
Fair value of plan assets at end of year	157,186	152,299

Defined benefit pension scheme liability

	2012 £'000	2011 £'000
Total market value of assets	157,186	152,299
Present value of scheme liabilities	(161,052)	(172,648)
Total deficit in the scheme	(3,866)	(20,349)

Analysis of the amount charged to the statement of financial activities

	2012 £'000	2011 £'000
Current service cost	5,056	5,712
Total operating charge	5,056	5,712

Analysis of the other amounts charged to the statement of financial activities

	2012 £'000	2011 £'000
Expected return on pension scheme assets	9,855	9,293
Interest on pension scheme liabilities	(9,521)	(10,080)
Net finance income/(cost)	334	(787)

Notes to the financial statements for the year ended 31 March 2012 (continued)

16 Pension schemes (continued)

Analysis of the unrealised amount recognised in the statement of financial activities

	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	(5,165)	3,605
Experience (losses)/gains arising on the scheme liabilities	(408)	12,178
Changes in assumptions underlying the present value of the scheme liabilities	5,897	(682)
Actuarial gain	324	15,101

Movement in deficit during the year

	2012 £'000	2011 £'000
Deficit in scheme at beginning of year	(20,349)	(36,346)
Contributions	7,077	7,395
Current service cost	(5,056)	(5,712)
Other finance income/(costs)	334	(787)
Actuarial gain	324	15,101
Curtailment gain	13,804	-
Deficit in scheme at end of the year	(3,866)	(20,349)

Historic summary of assets and liabilities of the scheme

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of the plan assets	157,186	152,299	139,995	98,399	117,101
Defined benefit obligation	(161,052)	(172,648)	(176,341)	(114,431)	(132,487)
Net pension deficit	(3,866)	(20,349)	(36,346)	(16,032)	(15,386)

The cumulative amount of actuarial gains and losses recognised is a net loss of £18,459,000 (2011 net loss of £18,783,000)

The estimated contribution for this scheme for the year ending 31 March 2013 is £2,000,000

17 Taxation

As a charity, St Andrew's Healthcare is broadly exempt from tax on the income and gains arising from its charitable activities and its investments to the extent that the income and gains are applied for charitable purposes only. The taxation charge of £211,000 (2011 £458,000) represents the Group's share of tax suffered by joint ventures and subsidiary companies.

Notes to the financial statements for the year ended 31 March 2012 (continued)

17 Taxation (continued)

Analysis of the tax charge

The tax charge on the profit on ordinary activities of the subsidiaries for the year was as follows

	2012 £'000	2011 £'000
Current tax		
UK corporation tax	269	493
Adjustments in respect of prior year	(61)	-
Total current tax	208	493
Deferred tax (note 18)	3	(35)
Tax on profit on ordinary activities of subsidiaries	211	458

UK corporation tax was charged at 26% in 2012 (2011 28%)

Factors affecting the tax charge

The tax assessed for the year is higher (2011 higher) than the standard rate of corporation tax in the UK of 26% (2011 28%). The difference is explained below

	2012 £'000	2011 £'000
Profit on ordinary activities of subsidiaries before tax	1,241	1,073
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% (2011 28%)	323	300
Effects of		
Expenses not deductible for tax purposes	1	86
Depreciation in excess of capital allowances	70	76
Other timing differences	(17)	1
Tax losses	(108)	30
Over provision written back	(61)	-
Current tax charge	208	493

18 Provisions for liabilities

Deferred taxation

The deferred tax liabilities provided are calculated at a rate of 25% in 2012 (2011 27%)

	2012 £'000	2011 £'000
Balance at 1 April 2011	-	35
Accelerated capital allowances	3	(35)
Adjustment in respect of prior year	18	-
Balance at 31 March 2012	21	-

Notes to the financial statements for the year ended 31 March 2012 (continued)

19 Connected charities and associated company

(a) Three Shires Independent Hospital

Three Shires Independent Hospital, The Avenue, Cliftonville, Northampton, NN1 5DR was a registered charity operating within the groups of the Group. It was managed separately and addressed a separate market. Certain services were supplied by the Group to Three Shires Independent Hospital on an arm's length basis. In April 2004, St Andrew's Healthcare received a substantial donation from the Three Shires Independent Hospital comprising the buildings of the Three Shires medical surgical hospital together with a significant donation of cash. St Andrew's Healthcare through its subsidiary company, St Andrews Property Management Limited, acquired a 50% holding in the new company, Three Shires Hospital Limited, which itself had acquired the business of the Three Shires Hospital from the Three Shires Independent Hospital. The remaining 50% of the shares in this company are held by BMI Healthcare Limited. BMI and St Andrews Property Management Limited entered into a shareholders' agreement governing the operation of Three Shires Hospital Limited. The Three Shires Hospital Limited has leased the Three Shires Hospital buildings from St Andrew's Healthcare and entered into a management agreement with BMI to run the Three Shires Hospital.

(b) The Pavilion Clinic Limited

The Pavilion Clinic Limited, The Avenue, Cliftonville, Northampton NN1 5DR is a private company incorporated in January 2007, and 51% owned by the Three Shires Hospital Limited. The remaining 49% of the shares are held by The Global Diagnostics Limited. The Pavilion Clinic Limited provides a diagnostic centre of excellence in a dedicated environment, with consulting and physiotherapy services.

(c) St Andrew's Group of Hospitals Limited

This company is a wholly owned subsidiary and is currently dormant.

20 Related party transactions

The Group has not entered into any material transactions with related parties or Trustee Directors during the year which require disclosure under FRS 8. With respect to consolidated entities the Group has taken advantage of the exemption contained in FRS 8 and has not disclosed transactions with those entities.

Some of the Trustee Directors of St Andrew's Healthcare are also directors of Three Shires Hospital Limited.

Trading with the subsidiary undertakings, Three Shires Hospital Limited and The Pavilion Clinic Limited during the year was as follows:

	Three Shires Hospital Limited		The Pavilion Clinic Limited	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Sales (including rental income)	939	856	-	-
Purchases	(30)	(15)	-	-
Debtor	179	2	-	-
Creditor	(3)	-	-	-

21 Related party balances

There are no balances included within debtors and creditors between the connected charities and the associated company.

22 Ultimate controlling organisation

The Trustee Directors consider that the ultimate controlling organisation is St Andrew's Healthcare.