

Consolidated income statement

for the year ended 31 December 2015

	Note	2015 £m	2014 £m
Turnover	2	767.5	710.8
Cost of services			
<i>Before exceptional items</i>		(722.2)	(671.7)
<i>Exceptional items</i>	5	(8.4)	2.7
Gross surplus		36.9	41.8
Support and governance costs			
<i>Before exceptional items</i>	3	(21.4)	(21.9)
<i>Exceptional items</i>	5	(3.0)	(0.5)
<i>Total operating surplus analysed as:</i>			
<i>Operating surplus before exceptional items</i>		23.9	17.2
<i>Exceptional items</i>		(11.4)	2.2
Total operating surplus and surplus before interest and tax	6	12.5	19.4
Net interest payable and similar income	7	(16.4)	(16.5)
(Deficit)/surplus on ordinary activities before taxation		(3.9)	2.9
Tax on (deficit)/surplus on ordinary activities	12	–	(0.2)
(Deficit)/surplus after tax for the financial year		(3.9)	2.7

All amounts derive from continuing activities.

The Consolidated Income Statement includes all gains and losses other than those arising from actuarial gains or losses on defined benefit retirement schemes and other post retirement benefits and changes in the market value of the fixed asset investments.

Consolidated statement of financial activities

for the year ended 31 December 2015

	Note	Group		Charity	
		Total funds*		Total funds*	
		2015 Total £m	2014 Total £m	2015 Total £m	2014 Total £m
Income and endowments from					
<i>Donations and legacies</i>	2	0.1	0.1	0.1	0.1
<i>Charitable activities</i>	2	765.1	709.2	763.9	709.4
<i>Other trading activities</i>	2	2.3	1.5	–	–
<i>Investments</i>	2 and 7	0.1	0.3	0.2	0.9
Total income and endowments	2	767.6	711.1	764.2	710.4
Expenditure on charitable activities					
<i>Before exceptional items</i>	3	(741.4)	(691.8)	(741.6)	(691.5)
<i>Exceptional items</i>	5	(11.4)	2.2	(15.2)	(4.9)
Other expenditure					
<i>Other trading activities</i>		(2.2)	(1.8)	–	–
<i>Interest payable</i>	7	(16.5)	(16.8)	(16.8)	(16.7)
<i>Taxation</i>	12	–	(0.2)	–	–
Total expenditure		(771.5)	(708.4)	(773.6)	(713.1)
<i>Net (expenditure)/income analysed as:</i>					
<i>Net income before exceptional items</i>		7.5	0.5	5.8	2.2
<i>Exceptional items</i>		(11.4)	2.2	(15.2)	(4.9)
Net (expenditure)/income		(3.9)	2.7	(9.4)	(2.7)
Other recognised gains and losses					
<i>Actuarial gains/(losses) on defined benefit retirement scheme</i>	8	25.6	(21.2)	25.6	(21.2)
Net movement in funds		21.7	(18.5)	16.2	(23.9)
<i>Fund balances at 1 January</i>	39	80.2	98.7	84.9	108.8
Fund balances at 31 December	1	101.9	80.2	101.1	84.9

* Total funds for the Group and Charity include restricted funds of £0.8m (2014-£0.8m) and permanent endowments of £0.1m (2014-£0.1m)

All amounts derive from continuing activities.

The consolidated statement of financial activities includes all gains and losses recognised in the year.

Balance sheets

at 31 December 2015

		Group		Charity	
	Note	2015 £m	2014 £m	2015 £m	2014 £m
Fixed assets					
<i>Intangible assets</i>	13	53.2	43.6	53.9	38.4
<i>Tangible assets</i>	14	483.2	464.8	479.3	460.6
<i>Investments</i>	16	0.2	0.2	21.1	15.9
		536.6	508.6	554.3	514.9
Current assets					
<i>Stocks</i>	17	8.1	7.5	8.1	7.5
<i>Debtors</i>	18	72.9	72.7	74.1	79.2
<i>Cash at bank and in hand</i>	33	3.3	13.8	3.2	13.1
		84.3	94.0	85.4	99.8
Creditors: amounts falling due within one year	19	(152.7)	(136.8)	(172.4)	(146.3)
Net current liabilities		(68.4)	(42.8)	(87.0)	(46.5)
Total assets less current liabilities		468.2	465.8	467.3	468.4
Creditors: amounts falling due after more than one year	20	(273.7)	(261.2)	(273.7)	(261.2)
Provisions for liabilities	23	(12.3)	(14.9)	(12.2)	(12.8)
Net assets excluding post retirement liabilities		182.2	189.7	181.4	194.4
Post retirement defined benefit liabilities	8	(80.3)	(109.5)	(80.3)	(109.5)
Net assets		101.9	80.2	101.1	84.9
Income funds					
<i>Restricted funds</i>	1	0.8	0.8	0.8	0.8
<i>Unrestricted funds:</i>					
<i>General fund</i>		181.3	188.8	180.5	193.5
<i>Post retirement reserve</i>		(80.3)	(109.5)	(80.3)	(109.5)
<i>Total unrestricted funds</i>	1	101.0	79.3	100.2	84.0
<i>Total income funds</i>		101.8	80.1	101.0	84.8
Permanent endowment	1 and 24	0.1	0.1	0.1	0.1
Group funds		101.9	80.2	101.1	84.9

The accounting policies and notes on pages 68 to 101 form part of these financial statements.

Approved and issued by the Board of Trustees on 25 May 2016

Russell Hardy
Chairman

Steve Gray
Chief Executive Officer

Company number 00576970. Charity number England and Wales 205533. Charity number in Scotland SCO41793

Consolidated cash flow statement

for the year ended 31 December 2015

	Note	2015 £m	2014 £m
Cash generated from operating activities			
<i>Before exceptional items</i>	27	80.2	82.8
<i>Exceptional items</i>	27	(1.9)	(1.4)
		78.3	81.4
Cash flows from investing activities	28	(91.0)	(69.5)
Cash flows from financing activities	31	(2.8)	(10.8)
Net (decrease)/increase in cash and cash equivalents		(15.5)	1.1
<i>Cash and cash equivalents at 1 January</i>		13.8	12.7
Cash and cash equivalents at 31 December	33	(1.7)	13.8
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash and cash equivalents for the financial year		(15.5)	1.1
<i>Cash inflow/(outflow) from changes in debt and lease finance</i>		(10.4)	(20.2)
<i>Change in net debt resulting from cash flows</i>	32	(25.9)	(19.1)
<i>New finance leases</i>	32	(0.2)	(0.9)
Movement in net debt in the financial year		(26.1)	(20.0)
Net debt at 1 January	32	(248.5)	(228.5)
Net debt at 31 December	32	(274.6)	(248.5)

Accounting policies

for the year ended 31 December 2015

a) Company information

Nuffield Health is a company limited by guarantee without share capital incorporated in England. The registered office is Epsom Gateway, Ashley Avenue, Epsom, Surrey KT18 5AL. In the event of the Charity being wound up the liability in respect of the guarantee is limited to £1 per Charity member. There were 68 members on 31 December 2015.

The Charity has taken advantage of the reduced disclosure provisions of the Financial Reporting Standard 102 – The Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102) and not disclosed its statement of cash flows.

b) Basis of preparation

The financial statements have been prepared in accordance with UK accounting standards, including FRS 102 and the Charities SORP (FRS 102) Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Companies Act 2006. The financial statements have been prepared on the historical cost basis except as modified to include the fair value basis for certain fixed asset investments, certain financial instruments and post retirement defined benefits.

Nuffield Health is a public benefit entity as defined by FRS 102.

This is the first year in which the financial statements have been prepared under Charities SORP (FRS 102) and FRS 102. An explanation of how the transition has affected the financial position and performance is set out in note 39.

The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest hundred thousand.

c) Going concern

After reviewing the Group's forecasts and their accompanying risks the Trustees have a reasonable expectation that the Charity and the Group have adequate resources to continue in operational existence for the foreseeable future and as a result they continue to adopt the going concern basis in preparing the Annual Report and accounts. At the end of the year there were £69 million of undrawn loan facilities.

d) Basis of consolidation

The Group financial statements consolidate the financial statements of the Charity and all its subsidiary undertakings drawn up to 31 December each year.

Subsidiaries are consolidated from the date of their acquisition, being the date the Group obtains control, and continues to be consolidated until the date control ceases. Control is achieved where Group has the power to govern the undertaking's financial and operating policies so as to benefit from its activities.

Acquisitions of subsidiaries and businesses are consolidated using the purchase method. On acquisition of an undertaking, the undertaking's identifiable assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. Any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill.

All intra-Group transactions, balances, incomes and expenses are eliminated on consolidation.

Shares of subsidiary undertakings owned by non-Group companies are included within minority interest except so far as there are obligations to the third parties that are likely to result in the purchase of those shares, in which case the discounted value of the expected purchase price is reported as a liability.

e) Significant judgements and estimates

The preparation of the financial statements requires the Trustees to make judgements and estimates and to select suitable accounting policies. The nature of the estimation means the actual outcomes could differ from those estimates. The following are items in the financial statements where the significant judgements and estimates have been made.

Defined benefit pensions and other post retirement benefits

In order to calculate the obligation under the defined benefit pension plans and post retirement medical benefits estimates are made of the future costs using actuarial valuations. Due to the complexity of the valuation and the long term nature of these plans such estimates are subject to uncertainty. The most significant assumptions are the rate used to discount the obligations (based on the AA corporate bond yield curve that reflects the duration of the liabilities) and mortality rates, which are set out in note 8.

Estimation of useful lives and residual values of fixed assets

Intangible and tangible fixed assets are amortised or depreciated over their useful lives after taking into consideration their expected residual value. The useful lives and residual values are set at the time the assets are acquired and reviewed annually for appropriateness. The lives are based on historical evidence of similar assets as well as anticipating the impact of future events that may affect their lives.

The estimated useful lives of the intangible fixed assets are set out in accounting policy m) and those for tangible fixed assets in accounting policy n). Historically the surpluses or losses on disposal of fixed assets have been small.

Impairments of tangible fixed assets and computer software

Tangible fixed assets and computer software are reviewed if events or changes of circumstances indicate that the carrying amount may not be recoverable. All the consumer fitness and wellbeing gyms are considered to be one income generating unit, while in the hospital division the income generating units are the hospitals located in the same town or city.

The impairment tests are based on the fair value arising from property valuations provided by a third party or value in use. The value in use calculations use cash flow models derived from the budget and exclude significant future investments that will enhance the income generating unit's performance. The value in use method is subject to assumptions on the rate used to discount expected future cash flows and the growth rates used in the calculation.

Goodwill

The amount of goodwill initially recognised as a result of the purchase of a subsidiary or business is dependent on the allocation of the purchase price to the fair value of the identifiable assets and liabilities acquired. The determinations of the fair values are based to a considerable extent on the Trustees' judgement. In general the useful life of goodwill is less than those of the revalued tangible fixed assets.

Provisions

Provisions are liabilities where the amount and/or the timing of the settlement are uncertain. The onerous lease provision is the single largest provision (£9.1 million (2014 – £9.7 million)), its value is significantly impacted by the estimate of the future increases in market value. The self insured provision for medical negligence and product liability claims is affected by the estimate of future claims and the Trustees take advice from a third party actuary in determining the amount to be provided. Details for these and other provisions are set out in note 23.

f) Funds

Unrestricted general funds are expendable at the discretion of the Trustees in furtherance of the objects of the Charity. The liability for post retirement defined benefits is reported separately in the post retirement reserve.

Restricted funds are subject to specific conditions imposed by the donors, and are within the objects of the Charity. These funds are transferred to unrestricted when the specific requirements of the donation are satisfied.

Permanent endowments are capital funds where the Trustees have no power to convert the capital into income. Only the income may be expended.

g) Income and turnover

Income from charitable activities comprises the value of services and goods supplied by the Group after deducting discounts and excluding value added tax. These are:

- i) income from the hospital and wellbeing's clinical activities that are recognised when the treatment or good is provided;
- ii) wellbeing membership income that is recognised evenly over the membership period. Joining fees, which are non-refundable, are recognised when received. Secondary income, including those from food and beverages and personal training, are recognised when delivered; and
- iii) income from management contracts for wellbeing services to employees, which are accounted on an accruals basis over the period that the service and price is agreed.

Turnover is income from charitable and other trading activities plus donations and legacies.

Donations are accounted for when the receipt is probable, there is evidence of entitlement and can be measured reliably.

Legacies are included in the financial statements when it is probable that the legacy will be received and the value can be reliably estimated.

Interest income is recognised on a time basis taking into consideration the principal outstanding and contractual interest rates.

h) Expenditure

Expenditure is classified using the headings in Charities SORP (FRS 102). The direct costs of providing services to patients and others are categorised as charitable activities. Support costs are the Group's central office costs and as such are indirect costs incurred in supporting the charitable activities. Governance costs comprise the expenditure associated with the strategic management of the Group and compliance with constitutional and statutory requirements. Where departments undertake support and governance activities the costs are apportioned using an estimate of the time spent on each activity.

Interest payable, other than retirement benefit finance costs, is accrued using the effective interest method.

i) Exceptional items

Exceptional items are material events or transactions that are undertaken as part of the Group's ordinary activities which individually or if of a similar type in aggregate where their disclosure is relevant to an understanding of the Group's financial performance.

Accounting policies

for the year ended 31 December 2015 – continued

j) Termination benefits

Payments or other benefits arising from the termination of a person's employment is recognised as a liability and expensed when there is a detailed formal plan for the termination and there is no realistic possibility of the plan being withdrawn.

k) Financial derivatives

The Group enters into financial derivatives to manage its exposure to fluctuating interest rates but does not enter into speculative derivative contracts. Amounts payable or receivable in respect of interest rate derivatives are recognised as adjustments to interest payable over the period of the contracts.

Derivative contracts are initially measured at fair value on the date the contract is entered into and are subsequently measured at fair value through the consolidated income statement and the consolidated statement of financial activities. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The movement in the fair value of the interest rate derivatives is charged or credited to interest payable within the consolidated statement of financial activities and the consolidated income statement

The fair value of the interest rate swaps is calculated using a valuation technique that takes into consideration observable interest rates for the period of the contracts.

l) Foreign currency

Group entities

Group entities and branches that have a different functional currency from the presentational currency are translated on consolidation into sterling as follows:

- asset and liabilities at the closing rate; and
- income and expenditure at the average exchange rate

The exchange differences are recognised in the other recognised gains and losses section of the consolidated statement of financial activities and in other comprehensive income in the consolidated income statement.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Exchange gains and losses resulting from the settlement of such transactions and from translation at the closing rate of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement and the consolidated statement of financial activities.

m) Intangible fixed assets

Goodwill

Goodwill is measured at cost less accumulated amortisation and any accumulated impairment losses.

Positive goodwill is written off on a straight line basis over its expected useful life, of between 5 and 20 years. If there is an indication that there is a significant change in amortisation rate the amortisation is revised prospectively to reflect the new expectations.

A change in the value of contingent purchase consideration is recognised immediately as an adjustment to goodwill and written off on a straight line basis over its expected useful life from the date of the original purchase.

The Charity's goodwill includes the value of investments in certain subsidiaries in which the trade and assets have been transferred to the Charity.

Computer software

Computer software that is not an integral part of its related hardware is treated as an intangible fixed asset and is recognised only when it is probable that future benefits will flow to the Group and the cost can be measured reliably.

It is measured at cost less accumulated amortisation and any impairment losses. Cost includes internal project development costs.

Software development costs are recognised as an intangible asset when all the following conditions are met:

- i) it is technically and financially feasible to complete the development;
- ii) the intention is to complete the development and use the software;
- iii) it can be used when completed;
- iv) the costs can be measured reliably; and
- v) it is probable there will be future benefits to the Group

Computer software is amortised over five years

n) Tangible fixed assets and depreciation

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes that of dismantling and removing the item and restoring the site on which it is located provided there is an obligation at the year end, it is probable that there is an obligation and it can be reliably measured.

The cost of new buildings, major extensions and refurbishments includes internal project development costs and interest incurred on borrowings to finance the development. All other development costs are written off in the year of expenditure.

Capitalised interest is calculated by applying a weighted average interest rate to the cost of new hospitals, major extensions and refurbishments in progress during the year.

Tangible fixed assets are transferred from assets in the course of construction at practical completion of the project. No depreciation is charged while assets are in the course of construction; depreciation on assets in the course of construction commences at practical completion.

Depreciation on the other tangible fixed assets, other than freehold land which is not depreciated, is calculated on a straight line basis to write down the cost over their expected useful economic lives. The applicable periods are:

Freehold buildings	Between 50 and 60 years or the remaining useful life if less than 50 years
Leasehold properties	Over the period of the lease or remaining useful life
Furniture and equipment	Between 3 and 15 years
Motor vehicles	Between 4 and 5 years

o) Impairment of intangible and tangible fixed assets

At each reporting date intangible and tangible fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of a possible impairment the recoverable amount of the affected income generating unit or asset is estimated and compared with its carrying amount. An impairment loss is expensed immediately.

Impairments of tangible fixed assets and intangible fixed assets other than goodwill are reversed when a change in economic conditions or the expected use of an asset increases the recoverable amount of an impaired asset above its impaired carrying value. Impairment reversals are recognised in the consolidated income statement and consolidated statement of financial activities to the extent that they increase the carrying amount of the asset up to the amount that it would have been had the original impairment not occurred.

p) Purchase and disposal of properties

The purchase or disposal of a property is accounted for in the year in which an unconditional and irrevocable contract is exchanged.

q) Investments

Investments in subsidiaries are stated at cost, less provision for impairment within the Charity's financial statements.

Other investments are stated at market value at the balance sheet date. Changes in market values are accounted for as net gains/(losses) on investments within the consolidated statement of financial activities and as other comprehensive income in the consolidated income statement.

Most of the trade and assets of Health Club Investments Group Limited, Nuffield Proactive Health Group Limited and their subsidiaries were transferred to the Charity in prior years. As a result of the hive-up the carrying values of the investments in the subsidiaries were not supported by their net assets. However, the Charity did not suffer a loss in respect of these transactions. Accordingly, the investment not represented by the subsidiary's underlying assets has been treated as goodwill and will be amortised over their estimated useful lives of between 6 and 20 years.

r) Stocks

Stocks are stated at the lower of net realisable value and cost, where cost is weighted average cost.

Consignment stock is not included in the balance sheet when the supplier retains the risk and reward of ownership. The risk and reward transfers to the Group when the asset is used or as the result of a contractual agreement.

s) Provisions for liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. Provisions are measured at the Trustees' best estimate of the expenditure required to settle the obligation at the balance sheet date. If such an obligation is not capable of being reliably estimated, no provision is recognised and the item is disclosed as a contingent liability where material.

Where the effect is material, the provision is determined by discounting the expected future cash flows and the unwinding of the discount is recognised as an interest cost in the consolidated income statement and consolidated statement of financial activities.

Accounting policies

for the year ended 31 December 2015 – continued

t) Defined benefit pension schemes and other post retirement benefits

Scheme assets are measured at fair values. Scheme liabilities are measured annually on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates of equivalent currency and term of the scheme liabilities. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost and costs from settlements and curtailments are charged against operating surplus.

The net interest on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate as determined at the start of the reporting period and taking account of any changes in the net defined benefit liability during the period as a result of contributions and benefit payment. The discount rate is based on the yield curve of high quality corporate bonds.

Actuarial gains and losses and returns on plan assets, excluding amounts included in net interest on the net defined benefit liability are reported as recognised gains and losses in the consolidated statement of financial activities.

u) Defined contribution pension schemes

Contributions to defined contribution schemes are charged to the consolidated income statement and consolidated statement of financial activities in the period in which they become payable.

v) Leased assets

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

Assets held under finance leases and hire purchase contracts are recognised initially at the lower of the fair value of the asset or the present value of the minimum payments at the inception of the contract. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between the reduction in lease obligation and interest using the effective interest method so as to achieve a constant rate of interest on the remaining portion of the lease obligation. The assets held under finance leases and hire purchase agreements are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals paid under operating leases are charged to the consolidated income statement and the consolidated statement of financial activities on a straight line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation or adjusted to the open market value, in which case the Group rent expense equals the amounts owed to the lessor.

The benefits of lease incentives are recognised as a reduction to the rental expense over the lease term on a straight line basis. Under the previous UK accounting standards the benefits are spread until market value applies, when less than the lease term. The Group is using the transitional relief available to continue to spread the benefits over the shorter period on leases that commenced prior to the transition date 1 January 2014.

Rentals receivable from operating leases are accounted for on a straight line basis over the lease term.

w) Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade creditors or debtors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for evidence of impairment. An impairment loss is recognised in the Consolidated Income Statement and Consolidated Statement of Financial Activities.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Notes to the financial statements

for the year ended 31 December 2015

1. Fund analysis

Group

	Permanent £m	Restricted £m	Unrestricted £m	2015 Total £m	Permanent £m	Restricted £m	Unrestricted £m	2014 Total £m
Incoming resources from generated funds								
<i>Donations, gifts and legacies</i>	-	-	0.1	0.1	-	0.1	-	0.1
<i>Other sources of income</i>	-	-	767.5	767.5	-	-	711.0	711.0
<i>Total incoming resources</i>	-	-	767.6	767.6	-	0.1	711.0	711.1
<i>Total resources expended</i>	-	-	(771.5)	(771.5)	-	-	(708.4)	(708.4)
Net (expenditure)/ income	-	-	(3.9)	(3.9)	-	0.1	2.6	2.7
<i>Other recognised gains and losses</i>	-	-	25.6	25.6	-	-	(21.2)	(21.2)
<i>Transfer between funds</i>	-	-	-	-	-	(0.6)	0.6	-
Net movement in funds	-	-	21.7	21.7	-	(0.5)	(18.0)	(18.5)
<i>Fund balance at 1 January</i>	0.1	0.8	79.3	80.2	0.1	1.3	97.3	98.7
Fund balance at 31 December	0.1	0.8	101.0	101.9	0.1	0.8	79.3	80.2

Charity

	Permanent £m	Restricted £m	Unrestricted £m	2015 Total £m	Permanent £m	Restricted £m	Unrestricted £m	2014 Total £m
Incoming resources from generated funds								
<i>Donations, gifts and legacies</i>	-	-	0.1	0.1	-	0.1	-	0.1
<i>Other sources of income</i>	-	-	764.1	764.1	-	-	710.3	710.3
<i>Total incoming resources</i>	-	-	764.2	764.2	-	0.1	710.3	710.4
<i>Total resources expended</i>	-	-	(773.6)	(773.6)	-	-	(713.1)	(713.1)
Net (expenditure)/ income	-	-	(9.4)	(9.4)	-	0.1	(2.8)	(2.7)
<i>Other recognised gains and losses</i>	-	-	25.6	25.6	-	-	(21.2)	(21.2)
<i>Transfer between funds</i>	-	-	-	-	-	(0.6)	0.6	-
Net movement in funds	-	-	16.2	16.2	-	(0.5)	(23.4)	(23.9)
<i>Fund balance at 1 January</i>	0.1	0.8	84.0	84.9	0.1	1.3	107.4	108.8
Fund balance at 31 December	0.1	0.8	100.2	101.1	0.1	0.8	84.0	84.9

Notes to the financial statements

for the year ended 31 December 2015 – continued

2. Turnover and income analysis

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
Income from charitable activities				
<i>Hospital services</i>	524.7	497.5	524.7	497.5
<i>Wellbeing services</i>	251.4	222.5	250.2	222.7
<i>Other services</i>	0.1	–	0.1	–
<i>Income from charitable activities before inter-company sales</i>	776.2	720.0	775.0	720.2
<i>Inter-company sales</i>	(11.1)	(10.8)	(11.1)	(10.8)
<i>Net income from charitable activities</i>	765.1	709.2	763.9	709.4
<i>Donations</i>	0.1	0.1	0.1	0.1
<i>Other trading income</i>	2.3	1.5	–	–
Turnover	767.5	710.8	764.0	709.5
Income from investments	0.1	0.3	0.2	0.9
Total income	767.6	711.1	764.2	710.4

Other trading income comprises beauty sales and other non-charitable activities provided by Wellbeing.

3. Expenditure on charitable activities

Group	Direct activities		Support and governance costs		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Continuing activities						
Normal						
Staff and related costs	241.9	213.3	41.0	36.2	282.9	249.5
Third party fees	129.0	132.2	–	–	129.0	132.2
Supply costs	113.3	103.7	–	–	113.3	103.7
Depreciation and amortisation	51.8	54.3	10.6	9.4	62.4	63.7
Other costs	120.1	111.5	33.7	31.2	153.8	142.7
	656.1	615.0	85.3	76.8	741.4	691.8
Support costs transferred to direct activities	63.9	54.9	(63.9)	(54.9)	–	–
After recharge	720.0	669.9	21.4	21.9	741.4	691.8
Exceptional						
Staff and related costs	1.1	(0.2)	3.0	(0.1)	4.1	(0.3)
Depreciation and amortisation	7.3	(2.5)	–	0.6	7.3	(1.9)
Total exceptional	8.4	(2.7)	3.0	0.5	11.4	(2.2)
Expenditure on charitable activities	728.4	667.2	24.4	22.4	752.8	689.6

The support costs transferred to direct activities are divisional office and central service costs that are incurred in delivering or managing the delivery of services.

Notes to the financial statements

for the year ended 31 December 2015 – continued

3. Expenditure on charitable activities – continued

Charity

	Direct activities		Support and governance costs		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Continuing activities						
Normal						
Staff and related costs	242.8	213.6	41.0	36.2	283.8	249.8
Third party fees	129.0	132.2	–	–	129.0	132.2
Supply costs	113.7	104.0	–	–	113.7	104.0
Depreciation and amortisation	50.2	52.8	10.6	9.4	60.8	62.2
Other costs	120.6	112.1	33.7	31.2	154.3	143.3
	656.3	614.7	85.3	76.8	741.6	691.5
Support costs transferred to direct activities	63.9	54.9	(63.9)	(54.9)	–	–
After recharge	720.2	669.6	21.4	21.9	741.6	691.5
Exceptional						
Staff and related costs	1.1	(0.2)	3.0	(0.1)	4.1	(0.3)
Depreciation and amortisation	0.5	(3.0)	–	0.6	0.5	(2.4)
Other costs	–	–	10.6	7.6	10.6	7.6
Total exceptional	1.6	(3.2)	13.6	8.1	15.2	4.9
Expenditure on charitable activities	721.8	666.4	35.0	30.0	756.8	696.4

4. Governance costs

	2015 £m	2014 £m
Staff and related costs	1.5	1.7
Depreciation	–	0.1
Other costs	1.2	0.7
	2.7	2.5

5. Exceptional items

The reorganisation costs in 2015 arise from the change in the management teams as part of the development of the One Nuffield Health strategy as explained in detail in the Chairman's Statement and the Strategic Report. The total cost is £4.1 million comprising of termination payments of £3.9 million and £0.2 million national insurance.

The streamlining of wellbeing management and central costs and the operational costs of the hospital division have resulted in unusual reorganisation costs which were expensed as an exceptional item in 2013. The over-estimated costs in 2013 were reversed in 2014.

The HealthScore assets were fully impaired in the year as there are no expected future income streams from the service and they will not in the future be used to support other services. These are intangible fixed assets.

Tangible fixed asset impairments in the hospital division were reversed in 2014. There were no reversals or impairments in 2015.

Provisions against subsidiaries are required when the value of the investments in or loans to a subsidiary are unlikely to be recoverable in the foreseeable future. The exception items are the movements in this provision.

The review of the digital presence in 2014 has resulted in shortening of asset lives and early disposal of software as the systems are improved.

The exceptional (gains)/costs are:

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
Cost of services				
<i>Reorganisation costs</i>	1.1	(0.2)	1.1	(0.2)
<i>Impairment of intangible fixed assets</i>	7.3	–	0.5	–
<i>(Reversal) of impairment of tangible fixed assets</i>	–	(3.0)	–	(3.0)
<i>Digital assets</i>	–	0.5	–	–
	8.4	(2.7)	1.6	(3.2)
Support and governance costs				
<i>Reorganisation costs</i>	3.0	(0.1)	3.0	(0.1)
<i>Digital assets</i>	–	0.6	–	0.6
<i>Provisions against subsidiaries</i>	–	–	10.6	7.6
	3.0	0.5	13.6	8.1
Total exceptional items	11.4	(2.2)	15.2	4.9

6. Operating surplus

	2015 £m	2014 £m
<i>This is stated after charging or crediting (including VAT):</i>		
Fees payable by the Charity for the audit of the Charity's annual accounts	0.4	0.3
Fees payable to the company's auditor and its associates for other services:		
<i>Tax services</i>	–	0.1
Total fees to the company's auditor	0.4	0.4

Fees paid to Grant Thornton UK LLP for non-audit services to the charitable company itself are not disclosed in the individual accounts of Nuffield Health because the charitable company's consolidated accounts are required to disclose such fees on a consolidated basis.

Notes to the financial statements

for the year ended 31 December 2015 – continued

6. Operating surplus – continued

	2015 £m	2014 £m
Depreciation on tangible fixed assets:		
On owned assets	50.5	51.1
On assets held under finance leases and hire purchase contracts for equipment and motor vehicles	1.3	3.1
Depreciation charge	51.8	54.2
Loss on disposal of tangible fixed assets	0.6	0.8
Normal depreciation	52.4	55.0
(Reversal) of impairment losses on tangible fixed assets	–	(3.0)
	52.4	52.0
Amortisation of intangible fixed assets		
Amortisation charge	9.6	8.5
Loss on disposal of intangible fixed assets	0.4	0.2
Normal amortisation	10.0	8.7
Exceptional impairment of intangible fixed assets	7.3	–
Exceptional depreciation charge on change of life on some digital assets	–	0.6
	17.3	9.3
Operating surplus stated after charging or crediting:		
Hire of plant and machinery (including operating lease charges)	5.0	5.3
Property operating lease rentals	36.6	33.8
Rental income from operating leases	0.8	0.3
Third party indemnity insurance	1.2	1.3

Indemnity insurance for the Trustees and officers amounted to £29,000 (2014 – £17,000).

7. Net interest payable and similar income

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
Interest receivable	0.1	0.3	0.2	0.9
Interest payable				
<i>Bank loans and overdraft</i>	(4.6)	(10.1)	(4.6)	(10.0)
<i>Senior secured loan notes</i>	(5.4)	(1.2)	(5.4)	(1.2)
<i>Stakeholder bond</i>	(1.1)	(1.1)	(1.1)	(1.1)
<i>Finance charges in respect of finance leases</i>	(0.3)	(0.2)	(0.3)	(0.2)
<i>Unwinding of discounting on purchase of subsidiaries</i>	–	(0.2)	–	(0.2)
<i>Interest payable to subsidiaries</i>	–	–	(0.3)	–
<i>Total interest payable</i>	(11.4)	(12.8)	(11.7)	(12.7)
<i>Costs in connection with loan facilities</i>	(1.2)	(1.7)	(1.2)	(1.7)
<i>Costs in connection with the stakeholder bond</i>	(0.2)	(0.2)	(0.2)	(0.2)
	(12.8)	(14.7)	(13.1)	(14.6)
<i>Retirement benefit finance costs</i>	(3.8)	(4.0)	(3.8)	(4.0)
	(16.6)	(18.7)	(16.9)	(18.6)
Movement in fair value of derivatives				
<i>Opening fair value of interest rate derivative</i>	1.1	18.1	1.1	18.1
<i>Interest rate derivative buy out or resetting costs</i>	–	(15.1)	–	(15.1)
<i>Closing fair value of interest rate derivative</i>	(1.0)	(1.1)	(1.0)	(1.1)
	0.1	1.9	0.1	1.9
Interest payable	(16.5)	(16.8)	(16.8)	(16.7)
Net interest payable and similar income	(16.4)	(16.5)	(16.6)	(15.8)

8. Defined benefit pensions and other post retirement benefits

The Group's funded defined pension scheme is closed to future contributions. During the year the Group operated one unfunded defined benefit pension scheme. The assets of the funded scheme are administered by trustees in funds independent from the assets of the Group. The Group also provides post retirement healthcare benefits to some of its employees, which are now closed to new entrants.

Nuffield Health is the sponsoring employer of the defined benefit pension schemes and the post retirement healthcare benefits and has legal responsibility for the plans. There is no contractual arrangement or policy for charging the net defined benefit costs to individual Group entities and therefore the Charity has recognised the entire net benefit cost and the relevant net defined benefit liability in its individual financial statements.

The most recent formal actuarial valuation of the Nuffield Health Pension and Life Assurance Scheme (the Scheme), a defined benefit pension scheme, was carried out as at 31 March 2015. This valuation was carried out by the Scheme Actuary, Adam Stanley of Punter Southall Limited. The principal assumptions made by the actuary are set out in the Scheme's statement of funding principles, which was agreed by the Trustees of the Scheme and Nuffield Health as part of the 31 March 2015 valuation.

Notes to the financial statements

for the year ended 31 December 2015 – continued

8. Defined benefit pensions and other post retirement benefits – continued

At the date of the above full valuation the value of the Scheme's assets was sufficient to cover 71 per cent of the actuarial value of the benefits that had accrued to the members after allowing for assumed future increases to deferred pensions and pensions currently in payment.

The level of employer contributions in the year totalled £8.0 million (2014 – £7.8 million). The employer and the Trustees of the Scheme entered into an asset backed funding arrangement in March 2016 by which the freehold of the Nuffield Health Oxford Hospital (The Manor) was transferred to a Scottish Limited Partnership, with both parties being limited partners. This gives the Scheme a secured asset should the Charity become insolvent. As a part of this arrangement it is agreed the employer's contribution from 1 April 2016 for the next six years will be £2.0 million per year and £4.0 million thereafter plus administration costs that are estimated to be £0.6 million. It was projected at the time of the full valuation to recover the deficit over 17 years. The pension deficit has increased since that date, largely due to reductions in the discount rate, which may lengthen the recovery period.

The actuarial valuations have been updated by an independent qualified actuary to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 December 2015. The projected unit credit method is used to value the liabilities of the defined benefit pension scheme. Scheme assets are stated at their market values at the respective balance sheet dates.

The main FRS 102 assumptions are:

	2015 % pa	2014 % pa
Rate of increase in medical inflation	4.1	4.1
Rate of increase for pensions in payment pre 1 August 2005 service	3.4	3.4
Rate of increase for pensions in payment post 31 July 2005 service	2.2	2.1
Rate of increase for deferred pensions	2.1	2.1
Discount rate (yield curve basis)	3.9	3.7
Inflation rate (CPI)	2.1	2.1

The post retirement mortality assumptions used to value the benefit obligation mortality tables based on S2PA at 31 December 2015 and S1NM/FA mc at 31 December 2014. Assumed life expectancies on retirement age at 65 are:

	2015 Years	2014 Years
Retiring today	Males	22.7
	Females	24.6
Retiring in 20 years time	Males	24.8
	Females	26.5

The returns on the plan assets are:

	2015 % pa	2014 % pa
Growth assets	0.6%	5.0%
Matching assets including liability hedge	(1.0%)	45.8%

The amounts charged to the consolidated income statement and Group and Charity statement of financial activities were:

	Defined benefit pension funds		Retirement healthcare		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Operating surplus						
<i>Service cost</i>						
<i>Administrative costs</i>	0.7	0.6	–	–	0.7	0.6
<i>Current service and settlement costs</i>	0.1	0.1	–	–	0.1	0.1
	0.8	0.7	–	–	0.8	0.7
Net interest payable/(receivable):						
<i>Interest on schemes' assets</i>	(11.6)	(12.8)	–	–	(11.6)	(12.8)
<i>Interest on schemes' liabilities</i>	15.2	16.6	0.2	0.2	15.4	16.8
Total charged to finance expenses	3.6	3.8	0.2	0.2	3.8	4.0
Total in net income	4.4	4.5	0.2	0.2	4.6	4.7

The total Group and Charity actuarial gains/(losses) on defined benefit retirement schemes and retirement healthcare are as follows:

	2015 £m	2014 £m
<i>Actual return on schemes' assets</i>	3.5	44.5
<i>Less interest on schemes' assets</i>	(11.6)	(12.8)
	(8.1)	31.7
<i>On obligations – interest costs</i>	33.7	(52.9)
Net actuarial gains/(losses) on defined benefit retirement schemes	25.6	(21.2)

The amounts recognised in the Charity and Group balance sheet are as follows:

	Defined benefit pension funds		Retirement healthcare		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
<i>Fair value of scheme's assets</i>						
<i>Growth assets</i>	216.1	212.1	–	–	216.1	212.1
<i>Matching assets including liability hedge</i>	96.4	105.0	–	–	96.4	105.0
<i>Other assets</i>	4.8	2.6	–	–	4.8	2.6
	317.3	319.7	–	–	317.3	319.7
<i>Present value of funded obligations</i>	(390.8)	(421.8)	–	–	(390.8)	(421.8)
	(73.5)	(102.1)	–	–	(73.5)	(102.1)
<i>Present value of unfunded obligations</i>	(2.4)	(2.6)	(4.4)	(4.8)	(6.8)	(7.4)
Net liabilities	(75.9)	(104.7)	(4.4)	(4.8)	(80.3)	(109.5)

Changes in the present value of the defined benefit obligation are as follows:

Notes to the financial statements

for the year ended 31 December 2015 – continued

8. Defined benefit pensions and other post retirement benefits – continued

	Defined benefit pension funds		Retirement healthcare		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Opening defined benefit obligations	(424.4)	(367.6)	(4.8)	(4.1)	(429.2)	(371.7)
Current service and settlement costs	(0.1)	(0.1)	–	–	(0.1)	(0.1)
Benefits paid	13.2	12.0	0.2	0.3	13.4	12.3
Interest cost	(15.2)	(16.6)	(0.2)	(0.2)	(15.4)	(16.8)
Actuarial (gains)/losses	33.3	(52.1)	0.4	(0.8)	33.7	(52.9)
Closing defined benefit obligations	(393.2)	(424.4)	(4.4)	(4.8)	(397.6)	(429.2)

The cumulative actuarial losses recognised in the statement of financial activities at 31 December 2015 were £118.1 million (2014 – £143.7 million).

Changes in the fair value of the post retirement funds' assets are as follows:

	Defined benefit pension funds		Retirement healthcare		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Opening fair value of plan assets	319.7	280.0	–	–	319.7	280.0
Interest income	11.6	12.8	–	–	11.6	12.8
Actuarial gains	(8.1)	31.7	–	–	(8.1)	31.7
Contributions paid	8.0	7.8	0.2	0.3	8.2	8.1
Scheme administrative costs	(0.7)	(0.6)	–	–	(0.7)	(0.6)
Benefits paid	(13.2)	(12.0)	(0.2)	(0.3)	(13.4)	(12.3)
Closing fair value of plan assets	317.3	319.7	–	–	317.3	319.7

9. Defined contribution pension schemes

	2015 £m	2014 £m
The amounts charged to the income and expenditure account and statement of financial activities	9.8	9.3
Contributions owing to the pension schemes at 31 December	1.7	1.5

10. Trustees

The Trustees are the same as Directors under company law.

	2015 £	2014 £
Fees paid to the Trustees and money purchase pension contributions:		
<i>Mr R S M Hardy</i>	52,750	48,714
<i>Mr M W Bryant</i>	35,000	35,350
<i>Mr P G McCracken</i>	35,000	35,000
<i>Ms F E Driscoll</i>	34,650	35,350
<i>Mrs J M Shaw</i>	32,900	35,411
<i>Dame D Holt</i>	28,000	28,000
<i>Mr D W Lister</i>	28,000	28,000
<i>Ms J L Wesson</i>	–	8,750
	246,300	254,575

The total value of money purchase pension contributions is £5,425 (2014 – £4,757). Travel and subsistence paid on behalf of or reimbursed to all the Trustees was £14,518 (2014 – £21,281) in the year.

11. Employees

	Number	2015 WTE	Number	2014 WTE
Average number of employees:				
<i>Hospital division</i>	6,322	4,528	5,879	4,226
<i>Wellbeing division</i>	5,890	3,334	4,154	2,866
<i>Support and governance</i>	127	122	103	100
Total	12,339	7,984	10,136	7,192

The employees are classified into the categories where the related costs are finally charged.

	2015	2014
Number of employees in defined contribution pension schemes at year end	8,556	6,835

	2015 £m	2014 £m
Staff costs during the year:		
<i>Wages and salaries</i>	228.5	204.5
<i>Social security costs</i>	19.1	18.4
<i>Other pension costs</i>		
<i>Defined benefit scheme administrative costs (note 8)</i>	0.7	0.6
<i>Defined benefit current service and settlement costs (note 8)</i>	0.1	0.1
<i>Defined contribution (note 9)</i>	9.8	9.3
<i>Agency costs</i>	16.2	13.9
	274.4	246.8

Notes to the financial statements

for the year ended 31 December 2015 – continued

11. Employees – continued

Termination benefits

	Charged to consolidated statement of financial activities		Accrued at year end	
	2015 £m	2014 £m	2015 £m	2014 £m
Individual redundancy and terminations	0.9	1.3	–	–
Exceptional reorganisations, redundancy and terminations	3.9	(0.3)	2.3	–
	4.8	1.0	2.3	–

The emoluments of the higher paid employees fell within the ranges indicated below. These emoluments include any bonuses payable, redundancy payments and settlement agreement payments but exclude pension contributions.

	2015 Number	2014 Number
£60,000 to £69,999	98	79
£70,000 to £79,999	57	38
£80,000 to £89,999	20	20
£90,000 to £99,999	28	22
£100,000 to £109,999	19	11
£110,000 to £119,999	10	10
£120,000 to £129,999	11	13
£130,000 to £139,999	6	9
£140,000 to £149,999	3	8
£150,000 to £159,999	2	3
£160,000 to £169,999	5	5
£170,000 to £179,999	2	2
£180,000 to £189,999	–	3
£190,000 to £199,999	2	–
£200,000 to £209,999	1	1
£210,000 to £219,999	–	1
£220,000 to £229,999	1	–
£230,000 to £239,999	2	1
£240,000 to £249,999	1	–
£250,000 to £259,999	1	–
£270,000 to £279,999	1	–
£300,000 to £309,999	1	1
£310,000 to £319,999	1	–
£320,000 to £329,999	–	1
£340,000 to £349,999	–	1
£350,000 to £359,999	1	–
£370,000 to £379,999	–	1
£470,000 to £479,999	–	1
£770,000 to £779,999	1	–
£780,000 to £789,999	–	1
£1,250,000 to £1,259,999	1	–

	2015 £m	2014 £m
Employer contributions towards defined contribution pension schemes for higher paid employees	2.3	1.6

	Number	Number
Number of higher paid employees to whom retirement benefits are accruing under the defined contribution pension scheme	268	226

The total emoluments and employee benefits for the Executive Managers, who are the key management personnel, in the year is £4.3 million (2014 – £3.1 million). The increase over last year is accounted for by contracted termination and redundancy payments related to restructuring described in the Chairman's Statement on page 4 and the Financial Review on page 52 and note 5.

David Mobbs (the previous Chief Executive Officer) was the highest paid employee in 2015 and 2014.

Steve Gray, the new Chief Executive Officer started on 1 December 2015 with a base salary of £400,000 per annum.

12. Tax on surplus/(deficit) on ordinary activities

The parent company is a charity and is not subject to tax because its charitable activities are exempt from tax.

The subsidiary companies have tax losses available to carry forward against future taxable profits or sufficient shareholder funds to gift aid taxable profits to the Charity. No deferred taxation asset has been recognised within the financial statements at 31 December 2015 in respect of these losses because they are unlikely to be recovered.

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
Current tax				
United Kingdom corporation tax at 20.25% (2014 – 21.5%) by subsidiaries	–	0.2	–	–

Notes to the financial statements

for the year ended 31 December 2015 – continued

13. Intangible fixed assets

	Group			Charity		
	Goodwill £m	Computer software £m	Total £m	Goodwill £m	Computer software £m	Total £m
Cost						
<i>At 1 January 2015</i>	57.6	59.7	117.3	58.6	52.1	110.7
<i>Acquisitions</i>	4.0	–	4.0	4.0	–	4.0
<i>Additions</i>	–	27.6	27.6	–	25.3	25.3
<i>Disposals</i>	(0.2)	(3.9)	(4.1)	–	(3.9)	(3.9)
<i>Fair value adjustments (note 14)</i>	(5.1)	–	(5.1)	(5.1)	–	(5.1)
<i>At 31 December 2015</i>	56.3	83.4	139.7	57.5	73.5	131.0
Amortisation						
<i>At 1 January 2015</i>	36.2	37.5	73.7	36.4	35.9	72.3
<i>Charge for year</i>	3.0	6.6	9.6	3.0	5.1	8.1
<i>Impairment</i>	–	7.3	7.3	–	0.5	0.5
<i>Disposals</i>	(0.2)	(3.5)	(3.7)	–	(3.4)	(3.4)
<i>Fair value adjustments (note 14)</i>	(0.4)	–	(0.4)	(0.4)	–	(0.4)
<i>At 31 December 2015</i>	38.6	47.9	86.5	39.0	38.1	77.1
Net book value at 31 December 2015	17.7	35.5	53.2	18.5	35.4	53.9
Net book value at 31 December 2014	21.4	22.2	43.6	22.2	16.2	38.4

Goodwill is the difference between the cost of purchase and the fair value of the assets and liabilities attributed to the purchase.

Goodwill is amortised in accordance with accounting policy. Impairment reviews are carried out in relation to the income generating units and are described in detail in note 15.

The fair value adjustment arises from the finalisation of the fair value of the purchase of nine fitness and wellbeing centres in 2014 which resulted in an increase in the value of leasehold assets. The fair value of this acquisition was updated following the one carried out for the purchase of The Health Club Collection Ltd in 2015, which identified the fair value of the assets was significantly greater than their book value.

Computer software was disclosed in equipment and motor vehicles within tangible fixed assets in the 2014 financial statements.

Additions to computer software during the year included capitalised internal project development costs of £1.1 million (2014 – £0.7 million). The internal project development costs capitalised to date are £6.9 million (2014 – £5.8 million).

14. Tangible fixed assets

Group	Assets in course of construction £m	Freeholds £m	Long leaseholds £m	Short leaseholds £m	Equipment and motor vehicles £m	Total £m
Cost						
At 1 January 2015	29.5	246.2	51.4	116.3	456.5	899.9
Additions at cost	39.1	–	1.4	10.8	12.9	64.2
Acquisitions	–	–	–	2.2	0.5	2.7
Disposals	(0.1)	(4.9)	–	–	(25.2)	(30.2)
Transfers	(43.3)	21.7	1.5	–	20.1	–
Fair value adjustments (note 13)	–	–	–	5.1	–	5.1
At 31 December 2015	25.2	263.0	54.3	134.4	464.8	941.7
Depreciation						
At 1 January 2015	–	87.2	9.4	36.0	302.5	435.1
Charge for year	–	5.9	1.9	6.0	38.0	51.8
Disposals	–	(4.9)	–	–	(23.9)	(28.8)
Fair value adjustments (note 13)	–	–	–	0.4	–	0.4
At 31 December 2015	–	88.2	11.3	42.4	316.6	458.5
Net book value at 31 December 2015	25.2	174.8	43.0	92.0	148.2	483.2
Net book value at 31 December 2014	29.5	159.0	42.0	80.3	154.0	464.8

The gross amount on which depreciation on freehold buildings is being provided is £240.4 million (2014 – £223.6 million).

The net book value of equipment and motor vehicles held under finance leases and similar hire purchase contracts is £3.8 million (2014 – £4.9 million).

Notes to the financial statements

for the year ended 31 December 2015 – continued

14. Tangible fixed assets – continued

Charity	Assets in course of construction £m	Freeholds £m	Long leaseholds £m	Short leaseholds £m	Equipment and motor vehicles £m	Total £m
Cost						
At 1 January 2015	29.5	234.8	51.4	122.6	454.8	893.1
Additions at cost	39.1	–	1.4	10.8	12.9	64.2
Disposals	(0.1)	(4.9)	–	–	(25.2)	(30.2)
Transfers	(43.3)	21.7	1.5	2.2	20.9	3.0
Fair value adjustments (note 13)	–	–	–	5.1	–	5.1
At 31 December 2015	25.2	251.6	54.3	140.7	463.4	935.2
Depreciation						
At 1 January 2015	–	84.1	9.4	37.6	301.4	432.5
Charge for year	–	5.8	1.9	6.1	38.0	51.8
Disposals	–	(4.9)	–	–	(23.9)	(28.8)
Fair value adjustments (note 13)	–	–	–	0.4	–	0.4
At 31 December 2015	–	85.0	11.3	44.1	315.5	455.9
Net book value at 31 December 2015	25.2	166.6	43.0	96.6	147.9	479.3
Net book value at 31 December 2014	29.5	150.7	42.0	85.0	153.4	460.6

Group and Charity

Additions during the year included capitalised internal project development costs of £0.3 million (2014 – £0.2 million). The interest charges and internal project development costs capitalised to date are £10.5m (2014 – £10.6 million) and £6.6 million (2014 – £6.5 million) respectively.

A valuation of the hospitals for loan security purposes at 31 October 2014 was undertaken by GVA Grimley LLP in accordance with the Royal Institute of Chartered Surveyors' Guidance Notes on the Valuation of Assets. The valuation of the hospitals is £940 million, giving a surplus of £620 million over the net book value at the date of valuation.

15. Impairment

Goodwill and tangible fixed assets

Goodwill and fixed assets are allocated to individual income generating units, where such an allocation is possible on a reasonable basis. Any central assets or overheads, which cannot be allocated to an individual income generating unit on a reasonable basis are allocated and tested for impairment at a divisional level.

The income generating units for the hospital division are hospitals located in a same town or city and are valued at the higher of net realisable value or value in use. The income generating unit for the consumer fitness and wellbeing gyms is all the sites and valued at value in use.

There are no indications in the year that an asset or income generating unit may be impaired as there was no change in the economic or competitive environment in which the income generating units operate. When the actual results for 2015 replace the forecasts used in the 2014 impairment calculation there would have been no change in the impairment.

The reversals or charges of impairments are included in exceptional items within cost of services and total expenditure.

Computer software

Individual computer systems are tested for impairment when there is an indication that the activities that the system supports may not cover their costs. In calculating the value in use management estimates the share of the activities income that can be allocated to the computer system.

An impairment test was carried out on one computer system, HealthScore™. Prior to the year end it was decided to put on hold the development of HealthScore™. In 2016 it was decided to discontinue HealthScore™ because although the concept was sound, particularly when it was first developed, the digital marketplace where it sat has moved on considerably. Therefore HealthScore™ was fully impaired, the charge of £7.3 million is made to exceptional items within cost of services and total expenditure.

16. Fixed asset investments

Group	UK Listed investment £m	Unlisted investment £m	Total £m
Market value			
<i>At 1 January and 31 December 2015</i>	0.1	0.1	0.2

The Group's investments are held primarily to provide an investment return for the Charity.

The shares of a UK listed investment are valued at their market value at the balance sheet date. The unlisted investments are valued at the lower of cost or management's estimate of market value.

Charity	Subsidiary undertaking £m	UK Listed investment £m	Unlisted investment £m	Total £m
Cost or market value				
<i>At 1 January</i>	32.6	0.1	0.1	32.8
<i>Acquisition</i>	7.1	–	–	7.1
<i>At 31 December 2015</i>	39.7	0.1	0.1	39.9
Provision for impairment				
<i>At 1 January 2015</i>	16.9	–	–	16.9
<i>Charge</i>	1.9	–	–	1.9
<i>At 31 December 2015</i>	18.8	–	–	18.8
Net book value at 31 December 2015	20.9	0.1	0.1	21.1
Net book value at 31 December 2014	15.7	0.1	0.1	15.9

Notes to the financial statements

for the year ended 31 December 2015 – continued

16. Fixed asset investments – continued

Subsidiary undertakings

The subsidiary undertakings in the Group at 31 December 2015 are shown below.

Company name	Class of share capital held	Portion held by the parent company	Portion held by the other group companies	Nature of business
Registered in England and Wales				
<i>Archer Leisure Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>Ark Leisure Management Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>Bladerunner Ltd</i>	<i>Ordinary</i>	100%	–	<i>Subsidiary holding company</i>
<i>Body and Mind Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>Cannons Adventures Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>Cannons Covent Garden Ltd</i>	<i>Ordinary</i>	100%	–	<i>Dormant</i>
<i>Cannons Group Ltd</i>	<i>Ordinary</i>	–	100%	<i>Subsidiary holding company</i>
<i>Cannons Health Clubs Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>Cannons Sports Clubs (UK) Ltd</i>	<i>Ordinary</i>	100%	–	<i>Dormant</i>
<i>Centre Court Tennis Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>Chichester Independent Hospital Ltd</i>	<i>Ordinary</i>	100%	–	<i>Dormant</i>
<i>Chichester (Leasing) Company Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>Corby Tennis Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>Greens Health & Fitness Ltd</i>	<i>Ordinary</i>	100%	–	<i>Dormant</i>
<i>Health Club Investments Group Ltd</i>	<i>Ordinary</i>	100%	–	<i>Subsidiary holding company</i>
<i>Health Club Investments Ltd</i>	<i>Ordinary</i>	–	100%	<i>Subsidiary holding company</i>
<i>Health Club Acquisitions Ltd</i>	<i>Ordinary</i>	–	100%	<i>Subsidiary holding company</i>
<i>Healthscore Ltd</i>	<i>Ordinary</i>	100%	–	<i>Software developer</i>
<i>ISC Estates Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>ISC Leasing (Ipswich) Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>ISC Projects Ltd</i>	<i>Ordinary</i>	–	100%	<i>Property company</i>
<i>Independent Surgery Centres Ltd</i>	<i>Ordinary</i>	100%	–	<i>Subsidiary holding company</i>
<i>Jonathan Webb Ltd</i>	<i>Ordinary</i>	100%	–	<i>Physiotherapy services</i>
<i>MSCP Holdings Ltd</i>	<i>Ordinary</i>	100%	–	<i>Subsidiary holding company</i>
<i>MSCP Wellbeing Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>Mythbreaker Ltd</i>	<i>Ordinary</i>	100%	–	<i>Subsidiary holding company</i>
<i>Nuffield Cosmetics Surgery Ltd</i>	<i>Ordinary</i>	100%	–	<i>Dormant</i>
<i>Nuffield Health Care Ltd</i>	<i>Ordinary</i>	100%	–	<i>Dormant</i>
<i>Nuffield Health Day Nurseries Ltd</i>	<i>Ordinary</i>	100%	–	<i>Nursery operator</i>
<i>Nuffield Health Wellbeing Ltd</i>	<i>Ordinary</i>	–	100%	<i>Consumer fitness centres</i>
<i>Nuffield Nursing Homes Trust</i>	<i>Ordinary</i>	100%	–	<i>Dormant</i>
<i>Nuffield Proactive Health Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>Nuffield Proactive Health Group Ltd</i>	<i>Ordinary</i>	100%	–	<i>Subsidiary holding company</i>
<i>Nuffield Proactive Health Medical Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>Pinnacle Leisure Group Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>Precis (1748) Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>Sherburne (Leasing) Company Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>The Food Calculator Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>Twickenham Leisure Ltd</i>	<i>Ordinary</i>	100%	–	<i>Dormant</i>
<i>Vale Health Partners Ltd</i>	<i>Ordinary</i>	100%	–	<i>Subsidiary holding company</i>
<i>Vale Healthcare Ltd</i>	<i>Ordinary</i>	22%	78%	<i>Hospital operator</i>
<i>Vardon Ltd</i>	<i>Ordinary</i>	–	100%	<i>Dormant</i>
<i>Wandsworth Leisure Ltd</i>	<i>Ordinary</i>	100%	–	<i>Dormant</i>

None of the subsidiaries have a material impact on the Group's assets, liabilities and funds at the end of the year or on the Group statement of financial activities.

17. Stock

	Group		Group and Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
Raw materials and consumables	8.1	7.5	8.1	7.5
Consignment stock not included in the balance sheet	15.0	13.5	15.0	13.3

There were no significant differences between the replacement cost and the values disclosed above.

Consignment stock not included in the balance sheet is stock owned by a supplier that is stored in our premises, which will be charged to the Group if drawn on or when the Group takes contractual liability for the stock.

18. Debtors falling due within one year

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
<i>Trade debtors</i>	50.4	46.4	50.1	46.2
<i>Amount owed by Group undertakings</i>	–	–	1.5	6.8
<i>Other debtors</i>	0.8	4.2	0.8	4.2
<i>Prepayments and accrued income</i>	21.7	22.1	21.7	22.0
	72.9	72.7	74.1	79.2

Interest is charged on loans to Group undertakings at various rates of interest between 2.0 per cent and 2.5 per cent above base rate. The loans are repayable on demand and are unsecured.

Within other debtors there is £nil (2014 – £2.7 million) due from Vanguard Healthcare Limited that in 2014 was repayable more than one year after the year end and was repaid early in 2015.

19. Creditors: amounts falling due within one year

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
<i>Bank overdraft</i>	5.0	–	5.0	–
<i>Obligations under finance leases</i>	1.9	3.0	1.9	3.0
<i>Bank loans</i>	–	0.5	–	0.5
<i>Other loans</i>	–	0.3	–	–
<i>Trade creditors</i>	27.5	39.6	27.3	39.6
<i>Amounts owed to Group undertakings</i>	–	–	20.1	11.0
<i>Social security and other taxes</i>	7.4	6.6	7.3	6.8
<i>Deferred/contingent consideration</i>	–	0.1	–	0.1
<i>Other creditors</i>	34.6	31.2	34.6	30.0
<i>Pension contributions</i>	1.7	1.5	1.7	1.5
<i>Accruals and deferred income</i>	74.6	54.0	74.5	53.8
	152.7	136.8	172.4	146.3

Notes to the financial statements

for the year ended 31 December 2015 – continued

20. Creditors: amounts falling due after more than one year

	Group and Charity	
	2015 £m	2014 £m
Bank loans	151.0	137.0
<i>Deferred expenses in connection with bank loans</i>	(2.5)	(3.3)
<i>Fair value of interest rate derivatives</i>	1.0	1.1
	149.5	134.8
Stakeholder bond	18.7	18.7
<i>Deferred expenses in connection with bond</i>	(0.4)	(0.6)
	18.3	18.1
Secured loan notes	100.0	100.0
Obligations under finance leases	1.3	2.8
Deferred/contingent consideration	3.6	2.8
Other creditors	1.0	2.7
	273.7	261.2

21. Borrowings

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
Borrowings are repayable as follows:				
<i>One year or less</i>				
<i>Finance leases</i>	1.9	3.0	1.9	3.0
<i>Bank loans</i>	–	0.5	–	0.5
<i>Bank overdraft</i>	5.0	–	5.0	–
<i>Other loans</i>	–	0.3	–	–
In more than one but not more than two years:				
<i>Finance leases</i>	0.7	1.7	0.7	1.7
In more than two but not more than five years:				
<i>Finance leases</i>	0.6	1.1	0.6	1.1
<i>Stakeholder bond</i>	18.7	18.7	18.7	18.7
In more than five years:				
<i>Bank loans</i>	151.0	137.0	151.0	137.0
<i>Secured loan notes</i>	100.0	100.0	100.0	100.0
	277.9	262.3	277.9	262.0

The bank loans, overdraft and secured loan notes are secured by a fixed charge on some of the freehold properties of the Group and a floating charge on all the assets of the Charity. The terms of the bank loans, secured loan notes and stakeholder bond are shown below:

Description	Security	Interest rate	Repayment date
Bank loans and overdraft	Secured	Variable 2.15% + LIBOR	4 October 2021
Secured loan note £55 million	Secured	Fixed 5.15%	4 October 2024
Secured loan note £45 million	Secured	Fixed 5.55%	4 October 2026
Stakeholder bond	Unsecured	Fixed 6.00%	2 July 2018

The finance leases are secured on the related assets. The other loans are unsecured and the rates of interest are based on LIBOR.

22. Financial derivatives

The financial derivatives in place are:

	Maturity	Fixed rate %	Principal £m
In Charity and Group			
At 1 January 2015 and 31 December 2015			
Interest rate swap into a fixed rate	2017	1.4%	50.0
Interest rate swap into a fixed rate deferred start from 2017	2021	2.4%	25.0

The Charity uses financial derivatives to manage the interest rate exposure on its current and expected future debt. The fair value of the derivatives at 31 December 2015 is a liability of £1.0 million (2014 – £1.1 million). The derivatives are recognised in the balance sheet at their fair value as part of bank loans within creditors amounts falling due after more than one year. The movement in the fair values is included in interest payable within the consolidated statement of financial activities and the consolidated income statement.

During 2014 the derivatives that were in place at the beginning of the year were either bought out or the terms changed at a cost of £15.1 million and included in the interest in the consolidated income statement, consolidated statement of financial activities and note 7.

23. Provisions for liabilities

	Property related £m	Self insured £m	Other £m	Total £m
Group				
At 1 January 2015	11.7	1.7	1.5	14.9
Utilised in year	(0.7)	(0.4)	(0.3)	(1.4)
Charged/(released) in year	(1.9)	0.6	0.1	(1.2)
At 31 December 2015	9.1	1.9	1.3	12.3
Charity				
At 1 January 2015	9.6	1.7	1.5	12.8
Utilised in year	(0.7)	(0.4)	(0.3)	(1.4)
Charged in year	0.1	0.6	0.1	0.8
At 31 December 2015	9.0	1.9	1.3	12.2

The property related provisions are estimated costs to be incurred on premises that are vacant, where the leases are onerous, dilapidations and business rates.

Notes to the financial statements

for the year ended 31 December 2015 – continued

23. Provisions for liabilities – continued

The costs of the vacant properties are certain. However their income from sub-lets and the timing of bringing the properties into use or of their disposal are uncertain. The provisions are discounted.

The provision for onerous leases is the difference between the rent due and the market rent of properties whose tangible fixed assets are fully written down. The provision is determined on a site by site basis and is for between 4 and 25 years. The provisions are discounted.

The provisions for dilapidations are recognised at the time of entering property leases when it is probable that there is an obligation and it can be reliably measured or at the first date the conditions are met.

The self insured provision covers the estimated exposure to medical negligence and product liability claims. The maximum exposure is limited as insurance provided by a third party will cover any claims once the cumulative claim value exceeds £4.4 million (2014 – £3.8 million).

Other provisions comprise those for contractual disputes and the self pay promise where there are no time limits on the aftercare of eligible patients.

Contractual disputes are those identified by the Group, including instances where legal claims have been instigated and are being defended by the Group. Claims are considered by the Board of Trustees and are defended robustly where the Board concludes that the Group is not liable. Provision is made for the most likely outcome of each individual case, based upon the information available to the Board.

The other provisions are likely to be paid over the next three years.

24. Permanent endowments

The permanent endowments are held for the benefit of Nuffield Health Brentwood Hospital and Nuffield Health Manor Hospital in Oxford. The permanent endowment for the Brentwood Hospital is shares in a specific company, which had an administrator appointed in September 2014 and was dissolved in December 2015.

	Group and Charity	
	2015 £m	2014 £m
At 1 January and 31 December	0.1	0.1

25. Financial instruments

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
Financial assets				
<i>Measured at fair value through the income statement and statement of financial activities</i>				
<i>That are equity instruments measured at cost less impairment</i>	0.1	0.1	0.1	0.1
<i>That are debt instruments measured at amortised cost</i>	54.4	64.4	55.6	70.3
Financial liabilities				
<i>Measured at fair value through the income statement and statement of financial activities</i>				
<i>Measured at amortised cost</i>	1.0	1.1	1.0	1.1
	340.0	353.1	359.8	342.6

26. Analysis of net assets between funds

The Group and Charity's assets and liabilities are all unrestricted except for £0.1 million (2014 – £0.1 million) of investments that are a permanent endowment and there are restricted funds comprising cash of £0.8 million (2014 – £0.8 million). The Group's unrestricted funds amount to £101.0 million (2014 – £79.3 million) and £100.2 million (2014 – £84.0 million) for the Charity.

The restricted funds represent a number of donations where the monies received have not yet been used for the purpose defined by the donor. Most of the restricted donations are those given to specific sites that have not yet been used to purchase tangible fixed assets at those locations.

Funds are transferred from restricted to unrestricted when the performance condition connected with that donation has been met or has been used to purchase an asset for general purpose use.

27. Reconciliation of operating surplus to cash flow from operating activities

	Group	
	2015 £m	2014 £m
Total operating surplus	12.5	19.4
<i>Exceptional items in operating surplus (note 5)</i>	11.4	(2.2)
<i>Depreciation and amortisation</i>	62.4	63.7
Earnings before interest, tax, depreciation, amortisation, exceptional items and non-cash elements of post retirement benefits	86.3	80.9
<i>(Increase) in stocks</i>	(0.6)	(0.1)
<i>(Increase) in debtors</i>	(2.5)	(4.3)
<i>Increase/(decrease) in creditors</i>	7.1	13.6
<i>(Decrease)/increase in provisions</i>	(2.6)	0.1
Total cash flow from operations	87.7	90.2
<i>Post retirement benefits – additional cash payments</i>	(7.5)	(7.4)
Cash generated from operating activities before exceptional items	80.2	82.8
Exceptional cash outflow from operations		
<i>Exceptional items in operating surplus (note 5)</i>	(11.4)	2.2
<i>Depreciation and amortisation</i>	7.3	(1.9)
<i>Increase/(decrease) in creditors</i>	2.2	(1.7)
Total cash outflow from operating activities	(1.9)	(1.4)

Notes to the financial statements

for the year ended 31 December 2015 – continued

28. Cash flows from investing activities

	Group	
	2015 £m	2014 £m
Interest receivable	–	0.1
Receipts from sale of tangible fixed assets and computer software		
Before exceptional items	0.4	1.6
Exceptional	–	0.8
Receipt from sale of subsidiary (note 29)	2.8	4.0
Purchase of tangible fixed assets and computer software	(86.2)	(75.5)
Payment to acquire businesses and subsidiary undertakings (note 30)	(8.0)	(0.5)
	(91.0)	(69.5)

29. Receipt from sale of subsidiary

Vanguard Healthcare Limited repaid the remaining loan notes it had issued to Nuffield Health during the year resulting in a cash inflow of £2.8 million. The loan notes were issued as part of the consideration for the sale that happened in 2009.

30. Payments to acquire businesses and subsidiary undertakings

The cash outflow in the year comprises:

	Group £m
Purchase of The Health Club Collection Ltd	(6.1)
Deferred consideration for business purchased in prior years	(1.9)
	(8.0)

The Health Club Collection Ltd

The Charity purchased 100 per cent of the voting equity instruments of The Health Club Collection Ltd (renamed MSCP Holdings Limited) on 2 June 2015 and hived up the trade and assets to the Charity on 1 July 2015.

The net assets and provisional fair value of the assets and liabilities arising from the acquisition of The Health Club Collection Ltd are:

	Fair value to the Group £m
Tangible fixed assets	2.7
Debtors	1.4
Creditors: amounts falling due within one year	(1.0)
Net assets purchased	3.1
Consideration	
Cash	6.1
Cancellation of loan owed from fellow subsidiaries that were not acquired	1.0
Goodwill on acquisition of The Health Club Collection Ltd	4.0

The useful life of the goodwill is five years.

Businesses purchased in 2014

The fair value of the nine fitness and wellbeing gyms purchased in 2014 were finalised in 2015 with the result the value of tangible fixed assets increased by £5.1 million following a valuation of the leasehold improvements, which results in reduction in goodwill by the same amount.

31. Cash flows from financing activities

	Group	
	2015 £m	2014 £m
Interest paid	(12.9)	(12.0)
Interest rate derivative buy out or resetting costs	–	(15.1)
Interest element of finance leases and hire purchase agreements	(0.3)	(0.5)
Payment of fees for new bank loans	–	(3.4)
Receipt from new bank loans	14.0	–
Receipt from issue of secured loan notes	–	100.0
Receipt from new other loans	–	1.0
Repayment of bank loans	–	(77.5)
Repayment of other loans	(0.8)	(0.3)
Repayment of capital element of finance leases and hire purchase agreements	(2.8)	(3.0)
	(2.8)	(10.8)

32. Analysis of net debt

	Group			
	At 1 Jan £m	Cash flow £m	Non-cash changes £m	At 31 Dec £m
Cash at bank and in hand (note 33)	13.8	(10.5)	–	3.3
Bank overdraft (note 19)	–	(5.0)	–	(5.0)
Bank loans due after more than one year (note 20)	(137.0)	(14.0)	–	(151.0)
Bank loans due within one year (note 19)	(0.5)	0.5	–	–
Other loans due within one year (note 19)	(0.3)	0.3	–	–
Secured loan notes due after more than one year (note 20)	(100.0)	–	–	(100.0)
Stakeholder bond due after more than one year (note 20)	(18.7)	–	–	(18.7)
Finance leases due within one year (note 19)	(3.0)	2.8	(1.7)	(1.9)
Finance leases due after more than one year (note 20)	(2.8)	–	1.5	(1.3)
	(248.5)	(25.9)	(0.2)	(274.6)

The non-cash changes include finance lease arrangements entered into by the Group in respect of assets with a capital value at the inception of the lease of £0.2 million.

Notes to the financial statements

for the year ended 31 December 2015 – continued

33. Cash and cash equivalents

	Group	
	2015 £m	2014 £m
Cash at bank and in hand	3.3	13.8
Overdraft	(5.0)	–
	(1.7)	13.8

34. Capital commitments

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
Contracted for but not provided in these financial statements	7.8	21.7	7.8	21.5

35. Obligations under leases and hire purchase contracts

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
Future minimum rentals under non-cancellable operating leases:				
Land and buildings				
Less than 1 year	35.2	34.4	35.4	34.6
Between 1 and 5 years	139.5	136.5	140.4	137.6
After 5 years	438.3	468.8	439.5	469.9
	613.0	639.7	615.3	642.1
Other				
Less than 1 year	0.5	0.8	0.5	0.8
Between 1 and 5 years	0.2	0.8	0.2	0.8
	0.7	1.6	0.7	1.6
Future minimum payments due under finance leases and hire purchase agreements:				
Less than 1 year	2.0	3.2	2.0	3.2
Between 1 and 5 years	1.4	3.0	1.4	3.0
	3.4	6.2	3.4	6.2

36. Contingent liabilities

The Charity has guaranteed the bank overdraft of Healthcode Ltd, its unlisted investment, to a value of £0.1 million (2014 – £0.1 million).

37. Related party transactions

Trustees and executive managers are considered to be key management personnel. Total remuneration of these individuals £4.5 million (2014 – £3.4 million).

The Charity has no other related party transactions in 2015, other than with wholly owned undertakings, and is using the exemption allowed by FRS 102 not to disclose transactions with wholly owned undertakings.

38. Post balance sheet event

As commented in note 8 the Charity and the Trustees of the Nuffield Health Pension and Life Assurance Scheme (the Scheme) entered into an asset backed funding arrangement in March 2016 by which the freehold of the Nuffield Health Oxford Hospital (The Manor) was sold to Nuffield Health Scottish Limited Partnership, with both parties being limited partners and the general partner is Nuffield Health (General Partner) Limited, a wholly owned subsidiary of Nuffield Health. The sale proceed is £91.2 million. The Trustees of the Scheme will take control of the general partner and therefore the freehold hospital should Nuffield Health become insolvent.

This transaction will have no effect on the consolidated financial statements as Nuffield Health Scottish Limited Partner is a wholly owned subsidiary of the Charity, through the Charity's 100 per cent control of the general partner under normal conditions.

At the point of transaction we estimate the Charity's financial statements will show an increase in borrowing of £77.1 million and recognition of an asset of similar value.

This is a non-adjusting post balance sheet event because the transactions happened in 2016 and did not relate to conditions that existed at the end of 2015.

Notes to the financial statements

for the year ended 31 December 2015 – continued

39. Transition to SORP (FRS 102) and FRS 102

The Group and Charity have adopted SORP (FRS 102) and FRS 102 for the year ended 31 December 2015 and restated the comparative prior year amounts.

The impact of the transition follows.

	Explanation	Group		Charity	
		31 Dec 2014 £m	1 Jan 2014 £m	31 Dec 2014 £m	1 Jan 2014 £m
Reconciliation of funds					
<i>Previously stated total funds</i>		95.8	117.6	100.5	127.7
<i>Interest rate derivatives</i>	(a)	(14.8)	(18.1)	(14.8)	(18.1)
<i>Holiday pay accrual</i>	(b)	(0.8)	(0.8)	(0.8)	(0.8)
<i>Reclassification of computer software</i>	(c)	–	–	–	–
<i>Net interest on defined benefit post retirement benefits</i>	(d)	–	–	–	–
Restated total funds		80.2	98.7	84.9	108.8
					Group 2014 £m
Reconciliation of net income/surplus after tax for the financial year					
<i>Previously stated net income/surplus after tax for the financial year</i>					2.8
<i>Interest rate derivatives</i>	(a)				3.3
<i>Holiday pay accrual</i>	(b)				–
<i>Reclassification of computer software</i>	(c)				–
<i>Net interest on defined benefit post retirement benefits</i>	(d)				(3.4)
Restated net income/surplus after tax for the financial year					2.7

Explanations

(a) Interest rate derivatives

The Group and Charity were not previously required to recognise interest rate derivatives on the balance sheet and the effects of the derivatives were recognised in interest payable within the consolidated statement of financial activities and consolidated income statement.

SORP (FRS 102) and FRS 102 classify these derivatives as 'other financial instruments' and as hedge accounting is not being used the derivatives are brought into the balance sheet at their fair value and any subsequent changes in fair value are expensed or credited to the consolidated statement of financial activities and consolidated income statement.

The interest rate swaps in use at 1 January 2014 were not previously carried on the balance sheet. During September 2014 the Group settled about half of the outstanding swaps and reset the terms of the remaining swaps, as part of a wider refinancing exercise undertaken at that time. The costs incurred in settling and resetting the swaps totalled £15.1 million. In the prior year financial statements, and in compliance with previous GAAP, these 'break costs' were treated as an incidental transaction cost related to the refinancing exercise and, as such, the Group applied a policy of capitalising the break costs initially and subsequently amortising them to the income statement as a finance expense over the term of the related loans. As at 31 December 2014, £1.4 million had been charged as a finance expense and £13.7 million remained on the on the balance sheet, offsetting against the related loan liability. In applying the requirements of FRS 102, the Group needed to make transitional adjustments as follows: (1) to recognise the fair value of the swaps as at 1 January 2014 (a liability of £18.1 million) and as at 31 December 2014 (a liability of £1.1 million); and (2) to expense the carrying amount of the break costs previously capitalised (£13.7 million).

The combined effect of (1) and (2) above was to reduce Group funds as previously stated at 1 January 2014 by £18.1 million, and by £14.8m as previously stated at 31 December 2014 (£14.8 million reduction comprising the £1.1 million fair value liability of swaps at 31 December 2014, plus £13.7 million expensed in respect of the previously capitalised break costs). Additionally, owing to the combined effect of (1) and (2) above, the net surplus for the year ended 31 December 2014 as previously stated increased by £3.3 million. This was as a result of the movement in the fair value of the swaps between 1 January 2014 and 31 December 2014 (a credit to the income statement of £17.0 million) less the expensing of previously capitalised break fees (£13.7 million charge to the income statement).

(b) Holiday pay accrual

Prior to the adoption of SORP (FRS 102) and FRS 102 the Group accrued holiday that was earned but not taken or paid at the year end for bank workers. Following the adoption of SORP (FRS 102) and FRS 102 an accrual was made for all workers. There was no impact on the 2014 consolidated statement of financial activities and consolidated income statement.

(c) Reclassification of computer software

Computer software was included within equipment and motor vehicles in tangible fixed assets in the 2014 Report and Financial Statements. As computer software is not a tangible FRS 102 requires it to be included in intangible fixed assets when it meets the definition of a fixed asset.

The reclassification has no impact on the net funds of the Charity or Group or their net income/surplus after tax for the financial year.

The reclassification results in:

- an increase in the intangible fixed assets at the end of 2014 by £22.2 million with a compensatory reduction in tangible fixed assets; and
- amortisation increase in 2014 of normal charge £3.2 million, loss on disposal of £0.2 million and the exceptional charge on changing life of some digital assets £0.6 million with the same reduction in depreciation.

(d) Net interest on defined benefit post retirement benefits

Under the previous United Kingdom generally accepted accounting practice the return on plan assets was calculated using an expected asset rate. SORP (FRS 102) and FRS 102 interest on the assets is calculated by multiplying the assets by the discount rate, which is based on the yield curve of high quality corporate bonds. The latter rate was lower than the former and therefore there is an increase in net interest payable of £3.4 million. There is no effect on the scheme liability as it was offset by a reduction in actuarial losses on defined benefit retirement schemes of £3.4 million.

First time adopter exemptions

In accordance with FRS 102 paragraph 35.10, the Group has opted to take advantage of the exemption to elect not to apply section 19 Business Combinations and Goodwill to business combinations that were effective before the date of transition to FRS 102 and has not applied paragraphs 20.15A to lease incentives on leases commenced before the transition date.