Nuffield Health

A COMPANY LIMITED BY GUARANTEE WITHOUT A SHARE CAPITAL

REGISTERED IN ENGLAND NUMBER 576970

A REGISTERED CHARITY NUMBER 205533

A REGISTERED CHARITY IN SCOTLAND NUMBER SC041793

REPORT
AND
FINANCIAL STATEMENTS
2012

Registered Office:

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CHAIRMAN'S STATEMENT

The past year has been one of huge achievement for Nuffield Health. The economic background has continued to be unhelpful, yet the Charity has extended both the scale and the scope of its operations. Everyone involved with the organisation can feel proud of the way in which Nuffield Health has successfully pursued its charitable agenda.

As this report shows, our finances are robust. This is demonstrated by three key figures. Nuffield Health's underlying earnings have increased by 21% over the past two years. Over the same period, the Charity has ploughed around £115m into capital expenditure - more than half of which has been spent on expanding and developing the services we provide - yet in that time our net debt has increased by only £14m.

This bedrock of financial security has provided the foundation on which we have been able to innovate and expand. By the end of 2013, we will have opened a new hospital in Bristol. Facilities across some of our existing 31 hospitals have been refurbished and upgraded as have sites within our fitness and wellbeing operations. And despite the difficult economic backdrop, our fitness and wellbeing operations – both for consumers and for companies - have continued to attract and retain clients, allowing us to help them achieve and maintain good health.

Nuffield Health has demonstrated that it is prepared to take a pioneering approach to fulfilling its mission to improve the health of the nation: as this report spells out, central to our philosophy is the idea that there is far more to healthcare than the treatment of illness. The Charity has also made an important contribution to the debate about the part that employers can play in improving the health and wellbeing of the nation: 2012 saw the publication of research commissioned by Nuffield Health and carried out by Ashridge Business School. This reinforced our belief that the contribution that companies make to the health and wellbeing of employees is fast becoming a key element in discharging their corporate social responsibilities.

In short, 2012 has given us much to celebrate.

I took the chair of Nuffield Health in June, succeeding Michael Smith, who did such sterling work as a Trustee for nine years and as Chairman for the last two years. Nuffield Health owes him a great deal for the important part he has played in steering the Charity through such an exciting period of growth, development and evolution.

Thanks are also due to Marisa Cassoni for the contribution she made to the Board of Trustees until her resignation in December. We are most grateful for the help and insight she provided.

Last but not least, on behalf of the Trustees, I would like to thank the Executive Management team and all of the 11,000 people who work for Nuffield Health. The commitment, skill and enthusiasm they display is an inspiration to us all. They deserve our admiration and our gratitude for helping people across the country to achieve and retain good health. It is as a result of their efforts that our great organisation can continue to play such a vital role in helping improve the health of the nation.

Russell Hardy
Chairman of the Board of Trustees

REPORT OF THE BOARD OF TRUSTEES TO THE MEMBERS

The Trustees present their report together with the financial statements for the year ending 31 December 2012.

OUR OBJECTIVES

The objectives of the Charity are clear: "to advance, promote and maintain health and healthcare of all descriptions and to prevent, relieve and cure sickness and ill health of any kind, all for the public benefit."

Nuffield Health is the UK's largest healthcare social enterprise. We seek always to ensure that our activities reflect the social enterprise ethos. We strive to operate efficiently. Our independence allows us to take a long-term strategic view. Our charitable status ensures we can avoid political interference. And we have no shareholders to whom we pay dividends, so any surplus is fully reinvested in the expansion of our services in pursuit of our charitable objectives.

We achieve our objectives in many ways and aim to ensure that access to our services are available at a low fee for those on low incomes or free at the point of access, to those in poverty.

In 2012, 13% of our revenues came from products and services costing customers less than £1 per day. On top of this, 19% of our revenues at market rates were from products and services free at the point of delivery to the patient or customer.

Furthermore, we provide high-quality services for which institutions and individuals are prepared to pay, thus allowing us to broaden and enhance our activities. The services we provide are central to helping us meet our charitable objectives by supporting people in their efforts to remain healthy.

Key to our approach is the belief that helping individuals to maintain fitness and good health is just as important as the treatment of illness when it occurs.

Our ambition is to establish a widely-accessible health system which seamlessly connects the three key elements of an integrated healthcare service:

- **prevention of sickness by helping people to become and remain fit and healthy;**
- **identification, assessment and containment of health risks; and**
- **treatment of health problems.**

We therefore help people take the steps necessary to prevent health problems through fitness, nutrition and making choices about the way they lead their daily lives. We aim to monitor an individual's health and advise on how to minimise risks. Where someone has a health problem, we offer the best possible clinical procedures – followed by support to ensure fast and full recovery. All these activities help us achieve our aim of improving the health of the nation.

We work closely with the NHS, and have provided free training and support for GPs. In 2012, our hospitals treated nearly 98,000 patients on behalf of the NHS.

OUR ACTIVITIES

The year under review saw a continued expansion in our fitness and wellbeing services and heavy investment in hospitals – both to extend the scale of our activities and ensure that the quality of our facilities allows us to offer world-class clinical services. All this helped us in the pursuit of our aim of promoting and maintaining the health of the nation by making integrated healthcare services available to as many people as possible.

To further support this we embarked upon an £11m programme of investment in customer management technology that will make our operations more efficient and accessible. The new system will allow customers to book our services online, as well as giving consultants and medical secretaries easier access to records and a consequent reduction in paperwork.

Nuffield Health's Hospital Services

We operate 31 hospitals with 1,333 beds and 118 operating theatres. We can provide more than 1,500 different surgical procedures. Nuffield Health is the only hospital group outside the NHS itself to have been awarded NHS Litigation Authority Level 3 accreditation for our governance policies and processes. This is an important endorsement of the high quality of our clinical care.

Hospitals account for 70% of Nuffield Health's turnover. In 2012, the division's revenues rose almost 9% to £461.6m. The increases were achieved largely as a result of a sharp increase in the volume of work we carried out for the NHS.

In 2012, procedures carried out by our hospitals included:

- **50,600 orthopaedic procedures, reducing patients' pain and increasing their mobility;**
- **31,800 general surgical procedures;**
- **16,200 ophthalmic procedures to improve patients' sight; and**
- **36,000 MRI scans.**

During the year, we invested £29m in improving and expanding our hospital facilities. We:

- **purchased the trade of Oxford Musculoskeletal LLP and integrated the business with the Nuffield Health Manor Hospital;**
- **completed a refurbishment programme at Tunbridge Wells; and**
- **equipped more operating theatres with the most up-to-date digital technology.**

In 2013, we secured planning permission for a new hospital in Cambridge. We also plan to finish the upgrading and refurbishment of our Brighton facility, and complete the new build of our hospital at Bristol. We are continuing with the refurbishment of our Wessex and Brentwood hospitals. Work to upgrade facilities across some of our other hospitals is also under way.

Our commitment to our patients was demonstrated by our response to the PIP breast implants scandal. Nuffield Health had used only a small number of PIP implants. However, in contrast to several other organisations, when reports of problems emerged, we gave a prompt and unambiguous undertaking that any patients affected by this would receive full consultation and, where necessary, surgical procedures. Nuffield Health patients received this service at no cost to them and we offered a reduced cost to patients who had their PIP implants surgery at other hospitals.

The care that we show in running our services was recognised by our receiving the Laing and Buisson independent healthcare award for excellence in risk management: the award goes to organisations that actively pursue risk management, reach exceptionally high standards and consistently strive to improve patient safety. Also, we were named risk management team of the year in the Continuity Insurance and Risk awards.

Nuffield Health Cambridge and Guildford Hospitals, with the support of the clinical team, secured the Macmillan Quality Environment Mark, recognising the standard of care provided for people living with cancer.

Perhaps most important of all, patients continue to give outstanding reviews of Nuffield Health's facilities and quality of service. In our most recent survey of more than 30,000 hospital patients, 98% of respondents rated the care they had received as "excellent or "very good". This maintains the extremely high scores we have achieved over several years.

Nuffield Health's Wellbeing Services

By the end of 2012, the number of people with membership of Nuffield Health's fitness and wellbeing centres was approaching 300,000. More than 100,000 Health MOTs were undertaken in our consumer and employee fitness and wellbeing centres and we carried out more than 80,000 health assessments – 8,000 more than in 2011. Our Meet our Experts sessions proved popular too, attracting more than 15,000 attendees. These are free to members of our fitness and wellbeing centres and open to the public at large.

Wellbeing Services for Consumers

Despite the difficult economic background, we managed to secure an underlying like-for-like increase in membership – a creditable achievement, given the squeeze on people's disposable incomes. Total membership of our consumer fitness and wellbeing centres increased from 134,000 to almost 191,000. Much of the increase was due to the successful integration of Greens Health and Fitness, acquired at the beginning of the year, and our continuing business also showed growth.

In 2012, our capital spending on our consumer fitness and wellbeing estate totalled £14m. That was in addition to £6m spent on the integration of Greens bringing them up to Nuffield Health standards.

Within our consumer fitness and wellbeing centres, we delivered almost 93,000 Health MOTs – up from 74,000 in 2011. The Health MOT is a key element in delivering Nuffield Health's strategy of providing an integrated healthcare service tailored to every individual's needs. Our research indicates that more than three-quarters of our members who receive a Health MOT achieve a measurable improvement in their health.

With the acquisition of Greens Health and Fitness, we now have 65 consumer fitness and wellbeing centres around the country, helping us to fulfill our aim of ensuring that as many people as possible have access to our unique range of services. Nuffield Health as a whole has 39 medical centres offering services of doctors, physiotherapists, nutritionists and physiologists. Of these, 18 are now in our fitness and wellbeing centres.

We are always looking at ways to improve our customer service and recently introduced a new fair and honest contract, which strips away confusing industry jargon. This gives our clients a number of benefits. They can freeze or cancel membership if they become ill, pregnant or are injured. We also give clients the freedom to cancel within the first three months of membership if they have seen no improvement in fitness and health.

We take the careers of our people seriously and have developed a new role - that of the 'health mentor'. These mentors will help our customers by giving a personalised assessment of their needs and directing them towards any further specialist advice they might require.

The rollout of our new online fitness and lifestyle tool - Nuffield HealthScore™ - commenced in December 2012. It enables people to monitor and actively improve their fitness and wellbeing anytime, anywhere. We see this as an innovative way of encouraging people to remain engaged with the quest to secure and retain good health, pointing them to ways in which they can achieve their individual goals.

In recognition of the quality of service we provide, our Nottingham and Surbiton fitness and wellbeing centres both won gold in the 2012 Members Choice Health Club Awards – the only industry awards given purely on feedback from members.

Wellbeing Services for Employees

Nuffield Health is firmly established as Britain's pre-eminent operator in the area of corporate fitness. By the end of 2012, we ran operations at 196 corporate sites, across the UK, serving 104,000 members.

As well as fitness and wellbeing centres, our corporate operations manage 39 medical centres, including the opening of our fifth stand-alone medical centre in Canary Wharf. Our centres offer services ranging from health assessments and physiotherapy to weight management programmes and consultations with private doctors. We also run medical centres and services in 18 of our fitness and wellbeing centres and in 16 of our hospitals.

We believe that employee wellbeing is moving towards the top of the corporate responsibility agenda, and that employers can and will play an increasingly important role in maintaining the health of people who work for them. This can benefit not only the individuals concerned but also the employers by improving their workforce's wellbeing and productivity. It is estimated that, at most, 16% of the adult population as a whole uses a gym to take regular exercise, whereas in companies where Nuffield Health provides fitness and wellbeing services, the proportion is around 40%.

During 2012, we expanded the services we offer at three of our integrated centres – JP Morgan, Vodafone and Nomura. These offer a full range of services from gym facilities and Health MOTs to medical facilities and in-depth health assessments and physiotherapy in their own buildings. We plan to open two further such facilities in 2013. We will press ahead with our strategy making clinical services available to as many clients as possible.

We provided nearly 80,000 people with physiotherapy services. We believe is it increasingly important to make physiotherapy services available to as many clients as possible. During 2012, we extended our spinal assessment and ergonomic assessments services. We are also launching an online booking service through our customer management technology system to make it easier for customers to book physiotherapy appointments through our website.

Over 2012 we secured a number of new contracts. New clients included Nestlé, Nationwide, Microsoft Cambridge and the Royal College of GPs. At the end of 2012, we had operations at 196 corporate sites, an increase of 14 sites from a year earlier.

Our achievements have been recognised with a number of awards. Our centre at HSBC in Canary Wharf was named Corporate Club of the Year in the Fitness Industry Association and Matrix Flame awards. This is the seventh year that one of our corporate clubs has won this accolade. Nuffield Health also received the title of best workplace wellbeing provider in the 2012 Health Insurance awards.

OUR FINANCES

In recent years we expanded the scale of our operations, making our services available to more members of the general public. We achieved higher levels of efficiency, and generated increasing sums of cash to finance further investment.

Highlights of our financial performance in 2012 include:

- **Turnover increased by 12% in the last year to £645m and by 16% since 2010**
- **Underlying earnings defined as EBITDA* before exceptional items increased by 14% to £82m and is 21% higher than 2010**
- **Total operating surplus excluding exceptional items increased by 25% to £23m and by 32% since 2010**
- **Return on capital employed (ROCE*) increased by 1.1 percentage point to 15.7% and is 2.2 percentage points higher than in 2010**

* *EBITDA is Group operating surplus with normal depreciation and amortisation added back. ROCE is EBITDA excluding exceptionals as a percentage of the net book value of fixed assets.*

Against a difficult economic background, this is a remarkable achievement.

In the two years 2011 and 2012, we have invested a total of nearly £115m. Yet over the same two-year period, our net debt has increased by only £16m.

In 2012, our Hospitals division increased its revenues by 9% compared to the previous year. There was a modest increase in revenue from patients whose treatments were financed either by their insurers or themselves. However, a strong increase in the number of patients treated on behalf of the NHS meant that revenues from this activity rose by more than 27%.

Our teleradiology company Medica, which is part of the Hospitals division, had a very successful year with turnover increasing by 43% to £11m and more than doubling its EBITDA. This is the result of actions taken by the new senior management team. In February 2013 we purchased the remaining 10% of the shares for £5.5m.

In the Wellbeing division, Nuffield Health's unique approach has enabled us to maintain membership numbers while many of our competitors have seen declines. Greens Health & Fitness Limited was purchased in the year and its integration into Nuffield Health has contributed positively to our finances. The division has also invested in Nuffield HealthScore™ through our own project costs of £1.0m and the acquisition of 49% of the share capital of Quentiq, the start-up company developing Nuffield HealthScore™.

Similarly, in a stagnant market we have increased the number of corporate sites where fitness and wellbeing services are provided to employees. We expanded our offering of health services to corporate clients by increasing the number of sites where we provide integrated health and fitness services and through the opening of our Canary Wharf Medical Centre in the spring of 2012.

As well as purchasing fixed assets, we are investing in the future by increasing expenditure on our brand activities, marketing and IT infrastructure with the resultant increase in our support costs.

Key financial indicators	**2012**	**2011**	**2010**
Group turnover (£m)	644.9	575.2	552.2
EBITDA excluding exceptional items (£m)	82.1	72.1	67.8
EBITDA excluding exceptional items as share of Group turnover	12.7%	12.5%	12.3%
Return on capital employed (ROCE)	15.7%	14.6%	13.5%
Total operating surplus excluding exceptional items (£m)	22.5	18.0	17.0
Capital expenditure (£m)	69.3	44.4	35.4
Increase in net debt (£m)	14.2	2.0	18.3
Leverage *(total debt divided by EBITDA excluding exceptionals)*	3.0	3.2	3.3

Reserves

The Charity aims to ensure that sufficient funds are available to continue investing in its activities, meet short and long term liabilities and repay or refinance its borrowings. The key to this is the Charity's cash flow. The Board assesses the Charity's medium term cash flow and thereby its requirements for free income reserves on a regular basis throughout the year. The Charity has negative free reserves as many of its assets are of a fixed nature and therefore not readily available. At the year end, there were £35m of unutilised bank facilities and £17m of cash.

The unrestricted funds of the Charity are invested principally in the tangible fixed assets and working capital that are used to provide services in pursuit of the objectives of the Charity. The working capital and some of the fixed assets of the Charity have been used as security for bank finance facilities.

A permanent endowment is held for the benefit of the Nuffield Health Brentwood Hospital. In addition, the Charity is the Trustee of The Desmond Hayton Williams Fund which is held for the benefit of past, present and future employees of Nuffield Health who experience financial difficulties.

Payment of creditors

It is the policy of the Trustees that trade creditors should be paid in accordance with agreed payment terms. On average, invoices are paid within 65 days of the invoice date.

Donations and bequests

Donations and bequests amounting to £114,000 were received during the year. The Trustees would like to express their thanks to donors and their representatives.

RISK MANAGEMENT

Risk management is the responsibility of the Board of Trustees. Two committees of the Board are particularly involved in overseeing this aspect of Nuffield Health's activities: the Board Integrated Governance Committee focuses on clinical and health and safety risks; the Audit Committee is responsible for commercial risk and financial controls. The Board as a whole regularly considers strategic risk.

The largest risk facing the organisation is that the company is following the wrong strategy. This is covered by an annual review of the strategy in the context of the market, between the Trustees and the Executive Management team.

Other major areas of strategic potential risk include:

- The continuing challenge of the economic environment. Our wellbeing businesses are susceptible to changes in consumer confidence and the economic cycle;
- The actions of private medical insurers. They may stop using some of our hospitals;
- Uncertainty generated by NHS reform. This could have an impact upon hospital services if the NHS reduces the number of patients treated by external providers;
- The actions of competitors within any of our business areas; and
- Serious clinical incident. A major clinical event could have a serious impact on our reputation.

Nuffield Health tries to anticipate risks and has taken steps to mitigate their potential impact. It has:

- Established diverse business streams, reducing the likely volatility of revenues; and
- Ensured that risks are regularly monitored at Executive level with assessment of impact, likelihood and the level of preparedness of the business to deal with the risk.

The Group's cash flow forecasts are subjected to stress tests to assess the risk of a major cash shortfall. Whilst current forecasts do not indicate any significant reduction in the amount of cash generated by the Group, any severe shortfall would be addressed by tight control over capital spending and operating costs.

The Group's interest rate management policy is to optimise the balance between the fixed and floating interest rates, in order to minimize the annual interest rate costs and reduce volatility. This is achieved by modifying the interest rate exposure through the use of interest rate swaps, details of which are set out in note 25.

OUR PEOPLE

Nuffield Health strongly believes that its not-for-profit status both enables and obliges it to strive to achieve the highest possible standards in the way it treats people throughout the organisation. It endeavours to engage its people in decision-making and seeks to identify ways in which each individual's skills can be fully harnessed and developed both for the good of the organisation and for the personal fulfilment of the employees.

Nuffield Health's people are kept fully informed of developments within the organisation through a number of formal channels. Our people are encouraged to be involved in the day-to-day running of the services the Charity provides. Nuffield Health continues to work in partnership with a number of recognised trade unions for the benefit of its people.

The Charity puts great emphasis on training and career development, and 2012 saw the launch of the Nuffield Health Academy, a programme to help fitness and wellbeing advisors become leaders in their field. We aim to ensure that all advisors are qualified to at least level 3 of the Register of Exercise Professionals Standards (REPS). Training is given at the Charity's expense; many other employers elsewhere in the industry expect the cost of training to be borne by the individual. Since October 2011, Nuffield Health has had an Employer Training Licence from Skills Active, ensuring that its in-house courses are REPS accredited, allowing the Charity to deliver its own training programmes.

We have also developed a new career path for fitness professionals, allowing them to become Health Mentors. They receive extensive clinical training to provide them with an in-depth knowledge and understanding on how best to advise members on improving their overall health and wellbeing.

Nuffield Health has devised strong programmes to help our people at different levels of the organisation to develop their leadership skills. These include our "discovering leadership" programme where attendees are given an insight into the qualities that make for good leadership; a programme to help those in managerial roles further develop their skills by interacting with and learning from leaders across the organisation; and a programme for senior management, run in conjunction with Ashridge Business School, to identify the future needs of Nuffield Health and how these can best be met. This project is already bearing fruit with the Charity having decided to introduce an apprenticeship programme in 2013.

In the hospitals division, Nuffield Health is reinforcing the role of matrons as champions of "the Nuffield Health way of caring". It is a given that patients should receive excellent clinical care. But the Charity has actively encouraged matrons to ensure that all the nursing staff with whom they work consistently adopt a caring and personal approach in meeting every patient's unique needs, both physical and emotional. After discussions with a wide range of stakeholders – including the Royal College of Nursing, general practitioners, consultants, hospital managers and patients – Nuffield Health matrons have themselves identified ways in which they can work within hospitals to ensure the best possible nursing care for our patients.

Nuffield Health works hard to ensure that all of our people feel properly rewarded and respected. Already, anyone joining Nuffield Health is entitled to a free Health MOT, and in 2013 we will give all our people free membership of our fitness and wellbeing centres.

Nuffield Health recognises its responsibilities under the Disability Discrimination Act 1995 and has continued to ensure that disabled people are given consideration on an equal basis with other candidates in respect of all areas of employment, including recruitment, training, career development and promotion. Every effort is made to provide continuing employment and, where necessary, arrange appropriate training for anyone who has become disabled during their employment.

The Charity also recognises its obligations as a service provider to take appropriate measures to protect disabled users of its services.

GOVERNANCE

Governing document

Nuffield Health is a registered charity incorporated under the Companies Acts 1948-2006, being a company limited by guarantee without share capital. The Charity's governing document is the Memorandum and Articles of Association.

Trustees

The members of the Board of Trustees during the financial year were:

Mr Russell SM Hardy*	Chairman from 20 June 2012; member of the Executive Remuneration and Succession Committee; member of the Audit Committee; chair of the Nominations Committee; chair of the Nuffield Health Pension & Life Assurance Scheme
Mr Michael J Smith*	Chairman up to 20 June 2012; chair of the Executive Remuneration and Succession Committee; chair of the Nominations Committee
Ms Jane L Wesson	Deputy Chair; chair of the Board Integrated Governance Committee; member of the Nominations Committee
Ms Fiona E Driscoll	Chair of the Audit Committee, member of the Executive Remuneration and Succession Committee
Mr P Guy McCracken LVO	Chairman of the Executive Remuneration and Succession Committee from 20 June 2012; member of the Board Integrated Governance Committee; member of the Nominations Committee
Mrs Joanne M Shaw	Member of the Board Integrated Governance Committee
Ms Marisa Cassoni*	Member of the Audit Committee

**Mr Hardy was appointed Chairman at the 2012 Annual General Meeting, following the retirement of Mr Michael Smith. Ms Marisa Cassoni resigned as a Trustee with effect from 14 December 2012.*

In accordance with Articles 28 and 29 of the Charity's Articles of Association, each Trustee is required to retire by rotation. Mr Hardy, Mr McCracken and Ms Driscoll will offer themselves for re-election as Trustees, by the Members, at the Annual General Meeting to take place on Wednesday, 15 May 2013.

Trustees' review of the Charity's objectives

Each year, the Trustees review the Charity's objectives, its activities and the degree to which the services it provides are made accessible to the public. This review examines the Charity's achievements and the outcomes of its activities in the previous 12 months, together with the benefits delivered to users of the Charity's services. Crucially, the Trustees' review also ensures that the Charity remains focussed on providing public benefit.

The Trustees continue to give careful consideration to the Charity Commission guidance on public benefit and in particular to its guidance for fee-charging charities. The Trustees have also considered the level of access and affordability of all its services to each section of the population, in particular to those on a low income or who are considered to be in poverty.

Nuffield Health has policies to clarify – both to those inside the organisation and those outside - how it should deliver benefits to the public, fulfilling its charitable objectives.

These include:

- **A limit of 10% on activities that are ancillary to the objectives of the Charity. This is to ensure nothing excludes or causes detriment to our core purpose.**
- **The establishment of guidelines by which any ancillary or fundraising activities can be judged, ensuring that they are directly related to and necessary for carrying out the Charity's purposes.**
- **A requirement that no activities are detrimental or harmful.**
- **A requirement that at least 5% of the charity revenue comes from products and services available at a low fee.**
- **The requirement that products worth at least 5% of total revenues - if valued at the market rate - are available free at the point of delivery for those in poverty.**

The Trustees have concluded that the objectives of the Charity remain entirely for the public benefit. The Trustees are also satisfied that the activities of the Charity are overwhelmingly carried out to fulfil its charitable objectives; that there are no activities that are inconsistent with its objectives; and that the Charity meets the requirements of the policies described above. In addition, the Trustees are confident that plans are in place for 2013 that will further enhance the accessibility of the Charity's activities.

Board Committees

Executive Remuneration and Succession Committee

The Executive Remuneration and Succession Committee is responsible for ensuring that the Group Chief Executive and the senior executives are remunerated appropriately. The Committee periodically considers and makes recommendations to the Board of Trustees on succession planning proposals in respect of the Group Chief Executive and the senior executives.

Nominations Committee

The names of prospective Trustees are referred to the Charity's Nominations Committee. This committee also considers recommendations for appointment for membership of the Charity. No person may be appointed as a Trustee unless he or she is a member.

Audit Committee

The Audit Committee meets at least twice each year. Representatives of external and internal auditors attend, as do the Group Chief Executive and Chief Financial Officer. Its main duties are to assist the Board by providing independent and authoritative advice on the accuracy of financial reporting and the effectiveness of financial controls and systems as well as the assessment of financial and commercial risk. The Committee oversees the effectiveness of the Group's risk management systems in co-operation with the Board Integrated Governance Committee. The Audit Committee also recommends the appointment of the external and internal auditors.

Board Integrated Governance Committee

The Board Integrated Governance Committee meets at least four times each year. The committee is responsible for monitoring the effective operation of clinical governance throughout the Group and considers clinical risk and health and safety matters. The Group Chief Executive, Group Medical Director and senior members of staff from within the Clinical Directorate attend the Committee's meetings.

Each year, the Committee publishes an industry-leading integrated governance report, which includes the outcomes of the various elements of the safety and quality programmes in place across all services provided by Nuffield Health.

Trustees' appointment and appraisal

New Trustees are appointed in accordance with the Code of Practice of the Office of the Commissioner for Public Appointments. Newly appointed Trustees undertake an induction programme to enable them to understand the workings of the organisation. Each year, the Chairman conducts a review with each Trustee. Additionally, there is a review into the effectiveness of the Board of Trustees.

Trustees' Remuneration

The report to the members from the chairman of the Trustees Remuneration Committee is on page 16. Amounts paid during 2012 are set out in Note 11 of the Financial Statements.

Organisational structure

The Trustees of the Charity are also directors of the company and collectively constitute the Board. The Board is responsible for setting strategy, ensuring that there are the necessary financial, human and physical assets to meet strategic aims; monitoring the performance of the Charity; overseeing risk management; and setting the Charity's values.

Ten board meetings of the Trustees were held in the year, in addition to the Annual General Meeting. Trustees also visited the Charity's hospitals and other facilities.

Responsibility of the day to day running of the Charity is delegated to the Executive Management team.

The Group Chief Executive, the Chief Financial Officer and other senior executives also attend meetings of the Trustees.

Executive Management

Senior staff manage the activities of the Charity. At the date when the Annual Report and Financial Statements were approved, the following senior staff were in place:

Mr David Mobbs	Group Chief Executive
Mr K P Doyle	Chief Financial Officer
Dr Andrew Jones*	Managing Director, Corporate Wellbeing
Ms Laura Kerby	Managing Director, Consumer Wellbeing
Ms Patricia Lee	Chief Executive, Hospitals Division
Dr Rubin Minhas*	Group Medical and Scientific Director
Mr Marcus Powell	Group Organisation Development and Human Resources Director
Ms Heather Rogers Hutton*	Group Director of Communications and Government Affairs
Mr Ian Smyth*	Group Chief Brand Officer
Mr Luke Talbutt	Group Secretary and Solicitor

**Dr Andrew Jones was appointed Managing Director, Corporate Wellbeing on 1 May 2012. Previous to this date he held the position of Group Medical Director. Dr Rubin Minhas was appointed Group Medical and Scientific Director on 1 April 2013. Mr Ian Smyth was appointed Group Chief Brand Officer 1 January 2013. Ms Heather Rogers Hutton will be leaving the Charity on 28 June 2013.*

Trustees' Responsibilities for the Financial Statements

The Trustees, who are also directors of Nuffield Health for the purposes of company law, are responsible for preparing the Report of the Board of Trustees to the Members and the financial statements, in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law, the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the Group and of the incoming resources and application of resources, including the income and expenditure, of the charitable 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 Statement of Recommended Practice;**
- **make judgments and accounting 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 Group will continue in business.**

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the 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 each of the Trustees is aware, the Trustees confirm that:

- **there is no relevant audit information of which the charitable company's auditors are 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 Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

Details of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Our Activities section above. The financial position of the Group, its cash flows and liquidity position are set out in the consolidated balance sheet, consolidated cash flow statement and notes 24 and 34. In addition, the financial review and risk management sections and note 25 outline the Group's objectives, policies and processes for managing its reserves; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Charity and Group meet day-to-day financing needs through internal cash generation supported by medium term bank borrowings. Current economic conditions create uncertainty, particularly over the level of demand for the Group's services and interest rates. The Group's forecasts, taking account of possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

The Trustees have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future; they therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

SUSTAINABILITY

As one of the country's largest social enterprises, Nuffield Health has a responsibility to reduce its environmental impact. The Charity seeks ways to reduce the amount of energy consumed and keep carbon emissions to a minimum.

Energy-saving initiatives should cut electricity and gas consumption across the Group by as much as 10% and help achieve a 10% reduction in our carbon footprint.

PROFESSIONAL ADVISERS

External Auditor Grant Thornton UK LLP The Explorer Building Fleming Way Manor Royal Crawley RH10 9GT	**Internal Auditor** Deloitte LLP Stonecutter Court 1 Stonecutter Street London EC4A 4TR
Solicitors CMS Cameron McKenna Mitre House 160 Aldersgate Street London EC1A 4DD	
Bankers Barclays Bank Plc Level 28 1 Churchill Place Canary Wharf London E14 5HP	Royal Bank of Scotland Plc 135 Bishopsgate London EC2M 3UR
Allied Irish Bank (GB) St Helen's 1 Undershaft London EC3A 8AB	Santander UK plc 2 Triton Square Regent's Place London NW1 3AN
The Co-operative Bank 1 Balloon Street Manchester M60 4EP	
Property Adviser GVA Grimley LLP 3 Brindleyplace Birmingham B1 2JB	
Pension and Remuneration Adviser Mercer Ltd Riverside Court Guildford Road Leatherhead Surrey KT22 9DF	

APPOINTMENT OF AUDITOR

Grant Thornton UK LLP offer themselves for reappointment as Auditors in accordance with Section 485 of the Companies Act 2006. Resolutions will be proposed at the Annual General Meeting to reappoint them and to authorise the Trustees to fix the remuneration of the Auditors for the year ending 31 December 2013.

24 April 2013
Authorised by the Board of Trustees

Russell S M Hardy
Chairman of the Board of Trustees

LORD WADE OF CHORLTON'S REPORT OF THE TRUSTEES REMUNERATION COMMITTEE TO THE MEMBERS

The Trustees' Remuneration Committee was established in August 2000, following the approval of the Charity Commission to permit the remuneration of the Trustees. As a condition of such approval, the Charity Commission required the remuneration levels to be independently reviewed and assessed by a Committee of the Members.

During 2012 the members of the Committee were Lady Forester, Mr Douglas Gardner and myself, as Chairman. The Secretary of the Committee is Mr Luke Talbutt, General Counsel & Company Secretary of Nuffield Health.

The Committee met on 5 December 2012 to consider the remuneration of the Trustees, to take effect from 1 January 2013. The review mechanism agreed with the Charity Commission is that the maximum amount payable is assessed by reference to the lowest point in the pay scale recommended by the Review Body on Civil Service Salaries, using the scales of Permanent Secretaries as a benchmark. The Committee sought the advice of Mr Russell Hardy, the Chair of the Board of Trustees and having carefully considered the matter, agreed with Mr Hardy's recommendation that it would not be appropriate for the Trustees to receive an increase in their remuneration for the year commencing 1 January 2013, in view of the present economic climate and the ongoing freeze in pay for all public servants paid more than £21,000 per year.

The current remuneration paid to each Trustee is therefore as stated below:

The Chairman of the Board of Trustees:	£49,000 per annum
Deputy Chair of the Board of Trustees:	£35,000 per annum
Chairs of Board Committees:	£35,000 per annum
Trustee:	£28,000 per annum

The Committee noted that it had previously agreed to conduct an external appraisal of the Trustees every two years. However, in light of Mr Hardy only acting as the Chairman of the Board of Trustees for six months, it agreed with the recommendation to conduct an internal process to review 2012 performance. The Committee agreed that 2013 performance should be externally reviewed.

Mr Hardy confirmed that a recruitment process to appoint two new Trustees would commence shortly.

The Committee was informed of my resignation as Chairman of the Trustees' Remuneration Committee from 6 December 2012 after six years in the role. It was confirmed that Mr Douglas Gardner, Member and former Chairman of Nuffield Health, would undertake this responsibility with immediate effect. Mr Gardner would work with Lady Forester to offer a position on the Committee to an existing Member of the Charity.

Finally, I would like to thank Lady Forester and Mr Douglas Gardner for all their continuing help and support during the year and I am most grateful to them for devoting the necessary time and effort to the Committee's affairs. I wish them and the Committee well for the future.

The Lord Wade of Chorlton
Chairman: Trustees' Remuneration Committee

INDEPENDENT AUDITORS REPORT TO THE MEMBERS AND TRUSTEES OF NUFFIELD HEALTH

We have audited the financial statements of Nuffield Health for the year ended 31 December 2012 which comprise the consolidated income and expenditure account, the consolidated statement of financial activities, the balance sheets, the consolidated cash flow statement, the accounting policies 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).

This report is made solely to the charitable company's Members and Trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charitable company's Members and Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its Members and Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and Auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 13, 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.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the 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 December 2012 and of the Group's incoming resources and application of resources, including the Group's income and expenditure, 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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 NUFFIELD HEALTH (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 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records or 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.

Stephen Maslin
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
24 April 2013

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Company number	576970
Charity number in England and Wales	205533
Charity number in Scotland	SC041793

Consolidated Income and Expenditure Account
For the year ended 31 December 2012

	Note	2012 Total £m	2011 Total £m
Turnover		644.9	575.2
Cost of services			
Normal	2	(606.1)	(545.5)
Exceptional	5	0.1	2.5
Gross surplus		38.9	32.2
Support and governance costs			
Normal	3	(15.8)	(11.7)
Exceptional	5	(0.6)	-
Group operating surplus		22.5	20.5
Share of operating losses of associates	19	(0.5)	-
Total operating surplus		22.0	20.5
Deficit on sale of business	7	-	(0.2)
Surplus on disposal of tangible fixed assets	7	0.4	0.7
Surplus before interest and tax		22.4	21.0
Net interest payable and similar income	8	(18.3)	(17.2)
Surplus on ordinary activities before taxation		4.1	3.8
Tax on surplus on ordinary activities	13	-	(0.1)
Retained surplus for the financial year		4.1	3.7

All activities in 2012 relate to continuing operations.

Consolidated Statement of Financial Activities
For the year ended 31 December 2012

	Note	Permanent endowment £m	Restricted £m	Unrest-ricted £m	2012 Total £m	2011 Total £m
Incoming resources						
Incoming resources from generated funds						
Donations, gifts and legacies		-	-	0.1	0.1	-
Investment income	8	-	-	0.4	0.4	0.5
Incoming resources from charitable activities						
Services to patients and others		-	-	644.8	644.8	575.2
Other incoming resources						
Surplus on disposal of tangible fixed assets	7	-	-	0.4	0.4	0.7
Total incoming resources		-	-	645.7	645.7	576.4
Resources expended						
Charitable activities						
Normal	2	-	-	(619.3)	(619.3)	(554.7)
Exceptional	5	-	-	(0.5)	(0.5)	2.5
Governance costs	3	-	-	(2.6)	(2.6)	(2.5)
Other resources expended						
Deficit on disposal of business	7	-	-	-	-	(0.2)
Interest payable	8	-	-	(15.3)	(15.3)	(15.5)
Post retirement finance expense	8 and 9	-	-	(3.4)	(3.4)	(2.2)
Taxation	13	-	-	-	-	(0.1)
Total resources expended		-	-	(641.1)	(641.1)	(572.7)
Net incoming resources		-	-	4.6	4.6	3.7
Share of associate's net losses	19	-	-	(0.5)	(0.5)	-
Net incoming resources before other recognised gains and losses		-	-	4.1	4.1	3.7
Other recognised gains and losses						
Actuarial losses on defined benefit retirement scheme	9	-	-	(26.0)	(26.0)	(15.1)
Net movement in funds		-	-	(21.9)	(21.9)	(11.4)
Fund balances at 1 January		0.1	1.2	161.5	162.8	174.2
Fund balances at 31 December	28	0.1	1.2	139.6	140.9	162.8

Balance Sheets
at 31 December 2012

	Note	Group 2012 £m	Group 2011 £m	Charity 2012 £m	Charity 2011 £m
Fixed assets					
Intangible assets	15	43.9	43.7	28.3	29.4
Tangible assets	16	476.2	449.1	470.2	443.2
Investments	18	0.4	0.4	47.9	41.0
Investment in associate	19	3.3	-	3.7	-
		523.8	493.2	550.1	513.6
Current assets					
Stocks	20	7.3	7.0	7.3	7.0
Debtors	21	73.4	66.2	211.8	200.0
Cash at bank and in hand		17.2	12.8	13.2	12.4
		97.9	86.0	232.3	219.4
Creditors: amounts falling due within one year	22	(121.2)	(99.1)	(276.9)	(246.4)
Net current liabilities		(23.3)	(13.1)	(44.6)	(27.0)
Total assets less current liabilities		500.5	480.1	505.5	486.6
Creditors: amounts falling due after more than one year	23	(245.3)	(226.2)	(245.0)	(225.9)
Provisions for liabilities	26	(7.5)	(6.2)	(5.3)	(4.2)
Net assets excluding post retirement liability		247.7	247.7	255.2	256.5
Post retirement defined benefit liability	9	(106.8)	(84.9)	(106.8)	(84.9)
Net assets		140.9	162.8	148.4	171.6
Income funds					
Restricted funds	28	1.2	1.2	1.2	1.2
Unrestricted funds:					
General fund	28	246.4	246.4	253.9	255.2
Post retirement reserve	28	(106.8)	(84.9)	(106.8)	(84.9)
Total unrestricted funds	28	139.6	161.5	147.1	170.3
Total income funds		140.8	162.7	148.3	171.5
Permanent endowment	27 and 28	0.1	0.1	0.1	0.1
Group funds		140.9	162.8	148.4	171.6

Approved by the Board of Trustees on 24 April 2013

Russell Hardy – Chairman

David Mobbs – Group Chief Executive

Consolidated Cash Flow Statement
For the year ended 31 December 2012

	Note	£m	2012 £m	£m	2011 £m
Net cash inflow from operating activities					
Normal	29	75.9		75.5	
Exceptional	29	(0.6)		(0.4)	
			75.3		75.1
Net cash outflow from returns on investments and servicing of finance	30		(13.9)		(16.9)
Taxation			(0.1)		(0.2)
Capital expenditure and financial investment					
Net purchase of tangible fixed assets	31	(51.9)		(42.3)	
Increase in loans to associate		(1.1)		-	
Exceptional disposal of tangible fixed assets	31	1.0		2.7	
Net cash outflow from capital expenditure and financial investment			(52.0)		(39.6)
Acquisitions and disposals					
Purchase of subsidiaries	32	(13.8)		(18.4)	
Sale of business		(0.1)		0.2	
Investment in associate		(2.6)		-	
Net cash outflow from acquisitions and disposals			(16.5)		(18.2)
Cash inflow before use of liquid resources and financing			(7.2)		0.2
Financing	33		11.6		4.4
Increase in cash for the financial year	34		4.4		4.6

Reconciliation of net cash flow to movement in net debt

	Note	£m	2012 £m	£m	2011 £m
Increase in cash for the financial year			4.4		4.6
Cash outflow from changes in debt and lease finance	33		(11.6)		(4.4)
Change in net debt resulting from cash flows	34		(7.2)		0.2
Loans issued with acquisition		-		(2.0)	
Loans and leases acquired with acquisition	32	(1.8)		-	
			(1.8)		(2.0)
New finance leases	34		(5.2)		(0.2)
Movement in net debt in the financial year			(14.2)		(2.0)
Net debt at 1 January	34		(214.8)		(212.8)
Net debt at 31 December	34		(229.0)		(214.8)

Accounting Policies
For the year ended 31 December 2012

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of certain fixed asset investments and post retirement defined benefits, and in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP Revised 2005), applicable accounting standards and the Companies Act 2006.

The accounting policies are consistent with the previous year.

a) Going concern

The Group meets its day-to-day working capital requirements through its internal cash generation supported by bank borrowings. The available bank facilities at 31 December 2012 are £200m, fully drawn, that is repayable in instalments between June 2014 and November 2015; and a further £70m, of which £35m is drawn and is due to expire in November 2015.

The current economic conditions create uncertainty, particularly over the level of demand for the Group's services. The Group's forecasts and projections, taking account of possible changes in trading performance and the level of discretionary capital expenditure, show that the Group will be able to operate within its bank facilities over the next year.

Accordingly, the Trustees are satisfied that the Charity and the Group have adequate resources to continue in operational existence for at least twelve months and as a result they continue to adopt the going concern basis in preparing the annual report and accounts.

b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Charity and its subsidiary undertakings drawn up to 31 December 2012. A subsidiary is an undertaking in which the Charity has the right to exercise dominant influence by controlling the undertaking's financial and operating policies through direct and indirect ownership of voting rights, exercisable put and call options or by contractual agreements. The results of subsidiary undertakings acquired during the year are included from the date of acquisition. Surpluses or deficits on intra-Group transactions are eliminated on consolidation. 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.

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.

Subsidiary undertakings are consolidated using the acquisition accounting method.

An associate is an undertaking over which the Group exercises significant influence through participation in the financial and operating decisions but is not a subsidiary. The results, assets and liabilities of the associate are incorporated into the financial statements using the equity method. The effect of which is to report the Group's share of the associate's net assets, any unamortised goodwill and loans to the associate in the investments in the Group balance sheet. The Group's share of the results of the associate is recognised in the consolidated income and expenditure account and the consolidated statement of financial activities.

c) 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 trusts, which may be declared by the donor(s), and are within the objects of the Charity. Restricted 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.

d) Incoming resources and turnover

Incoming resources from charitable activities is the total amount receivable by the Group, excluding VAT, from charges made for services to patients, Wellbeing members and others. Income from such services is recognised at the time or on a straight line basis over the period that the services are provided.

Turnover is incoming resources from charitable activities plus donations, gifts and legacies.

Donations and gifts are accounted for at the earlier of receipt or unconditional entitlement to the donation or gift.

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

Gifts in kind are valued at their market value on the date of transfer or the estimated value to the Charity when there is no market value.

e) Resources expended

Expenditure is classified using the headings in SORP Revised 2005. The direct costs of providing services to patients and others are categorised as charitable activities. Support costs are the Group's corporate 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.

f) Exceptional items

Exceptional items are events or transactions that are undertaken as part of Group's ordinary activities that are uncommon and of a material value either individually or if of a similar type in aggregate and are therefore separately disclosed in order for the financial statements to give a true and fair view.

g) 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.

h) Foreign currency

Group entities

Group entities and branches that have a different functional currency from the presentational currency are translated 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.

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 and expenditure account and the consolidated statement of financial activities.

i) Intangible assets

Goodwill, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised. The Charity's goodwill includes the value of investments in certain subsidiaries in which the trade and assets have been transferred to the Charity.

Positive goodwill is written off on a straight line basis over its expected useful life, of between 10 and 20 years. Provision is made for any impairment in accordance with Financial Reporting Standard 11 Impairment of Fixed Assets and Goodwill (FRS11). In determining whether goodwill is impaired, it is allocated to an income generating unit with other related assets for testing.

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.

j) Tangible fixed assets and depreciation

Tangible fixed assets are capitalised at cost including any incidental expenses of acquisition.

The cost of new hospitals, major extensions and refurbishments include internal project development costs and interest incurred on borrowings to finance the development. The cost of computer software, which is included in furniture and equipment, includes internal project development costs. 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 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
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

k) Impairment of intangible and tangible fixed assets

Impairment reviews are performed when there is an indication that impairment exists and any impairment losses identified are immediately expensed.

Impairments of tangible fixed assets 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 income and expenditure statement and 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.

l) 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.

m) Investments

Investments in subsidiaries and associates that further the charitable objectives are treated as programme related investments and are stated as cost, less provision for impairment. Other investments are stated at market value at the balance sheet date.

Changes in market values are accounted for as other recognised gains and losses within the statement of financial activities.

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 useful lives of between 6 and 20 years.

n) Stocks

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

o) Provisions for liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Trustees' best estimate of the expenditure required to settle the obligation at the balance sheet date and if this amount is capable of being reliably estimated. 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.

Provisions are made for onerous property leases in which the unavoidable costs of meeting the obligations under them exceed the economic benefits expected to be received under them. Onerous lease provisions are made on vacant properties and on the difference between the property rental and the market rental on income generating units that are fully written down.

Where the effect is material, the provision is determined by discounting the expected future cash flows.

p) 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. Past service costs are recognised over the period in which the benefit changes vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are reported as recognised gains and losses in the statement of financial activities.

q) Defined contribution pension schemes

Contributions payable for the year are charged against operating surplus.

r) Leased assets and hire purchase commitments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases and hire purchase contracts are recorded as fixed assets and the capital element of future rentals is included in creditors. The interest element of the leasing payments represents a constant portion of the capital balance outstanding and is charged to the income and expenditure account and the statement of financial activities over the lease term. Rentals paid under operating leases are charged to the income and expenditure account and the statement of financial activities on a straight line basis over the lease term.

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

s) Deferred taxation

Deferred taxation is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted at the balance sheet date.

1 Segmental analysis

There is minimal overseas trade and therefore no geographical analysis. The analysis of the businesses is based on the Group's management structure.

	Hospital services £m	Wellbeing services £m	Central & other £m	2012 Total £m	Hospital services £m	Wellbeing services £m	Central & other £m	2011 Total £m
Incoming resources from generated funds								
Donations, gifts and legacies	-	-	0.1	0.1	-	-	-	-
Investment income	-	-	0.4	0.4	-	-	0.5	0.5
Incoming resources from charitable activities								
Normal								
Including inter-company	461.6	194.3	-	655.9	424.3	161.0	-	585.3
Inter-company	-	-	(11.1)	(11.1)	-	-	(10.1)	(10.1)
	461.6	194.3	(10.6)	645.3	424.3	161.0	(9.6)	575.7
Other incoming resources								
Surplus on disposal of tangible fixed assets								
Continuing	-	0.4	-	0.4	-	-	0.7	0.7
Total incoming resources	461.6	194.7	(10.6)	645.7	424.3	161.0	(8.9)	576.4
Resources expended								
Charitable activities								
Normal								
Including inter-company	(419.8)	(197.4)	(13.2)	(630.4)	(396.1)	(159.5)	(9.2)	(564.8)
Inter-company	-	-	11.1	11.1	-	-	10.1	10.1
	(419.8)	(197.4)	(2.1)	(619.3)	(396.1)	(159.5)	0.9	(554.7)
Exceptional	1.2	(1.1)	(0.6)	(0.5)	1.5	1.0	-	2.5
Governance costs	-	-	(2.6)	(2.6)	-	-	(2.5)	(2.5)
Deficit on disposal of business	-	-	-	-	-	(0.2)	-	(0.2)
Interest payable	-	-	(15.3)	(15.3)	-	-	(15.5)	(15.5)
Retirement finance expenses	-	-	(3.4)	(3.4)	-	-	(2.2)	(2.2)
Taxation	(1.3)	1.3	-	-	(0.1)	-	-	(0.1)
Total resources expended	(419.9)	(197.2)	(24.0)	(641.1)	(394.7)	(158.7)	(19.3)	(572.7)
Net incoming resources	41.7	(2.5)	(34.6)	4.6	29.6	2.3	(28.2)	3.7
Share of associates net losses	-	-	(0.5)	(0.5)	-	-	-	-
Net resources incoming before transfer of funds	41.7	(2.5)	(35.1)	4.1	29.6	2.3	(28.2)	3.7
Net assets	341.7	140.9	(341.7)	140.9	344.1	124.4	(305.7)	162.8
Staff numbers (WTE)	3,933	2,702	90	6,725	4,235	2,346	84	6,665

2 Resources expended charitable activities

	Direct activities		Support costs			Total
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Normal						
Staff and related costs	197.7	172.5	34.2	27.5	231.9	200.0
Third party fees	127.7	112.9	-	-	127.7	112.9
Supply costs	79.1	74.6	-	-	79.1	74.6
Depreciation and amortisation	53.0	48.2	6.1	5.9	59.1	54.1
Other costs	86.6	83.4	34.9	29.7	121.5	113.1
	544.1	491.6	75.2	63.1	619.3	554.7
Support costs transferred to direct activities	62.0	53.9	(62.0)	(53.9)	-	-
After recharge	606.1	545.5	13.2	9.2	619.3	554.7
Exceptional						
Staff and related costs	1.1	-	-	-	1.1	-
Depreciation and amortisation	(1.2)	(2.5)	-	-	(1.2)	(2.5)
Other costs	-	-	0.6	-	0.6	-
Total exceptional	(0.1)	(2.5)	0.6	-	0.5	(2.5)
Total resources expended charitable activities	606.0	543.0	13.8	9.2	619.8	552.2

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.

3 Support and governance costs

	2012 £m	2011 £m
Normal		
Governance		
Staff and related costs	1.7	1.5
Other costs	0.9	1.0
	2.6	2.5
Support costs normal (note 2)	13.2	9.2
Total support and governance - normal	15.8	11.7
Exceptional support costs	0.6	-
Total support and governance	16.4	11.7

4 Discontinued business

	2012 £m	2011 £m
Turnover	-	1.4
Other costs	-	(1.4)
Total operating surplus	-	-

The sale of the management contracts of the local authority fitness centres was completed in March 2011 with an effective date of 1 February 2011.

5 Exceptional items

Tangible fixed assets were impaired in prior years, the follow up reviews in 2012 resulted in a reversal of the impairments in £1.2m (2011 – £4.9m) in the Hospital Division and Wellbeing Centres of £nil (2011 - £1.0m).

The employment status of the self-employed workers in the Charity is being reviewed by HM Revenue & Customs. The Trustees are of the opinion that the Charity has correctly classified most of the workers but has charged to the Income & Expenditure Account and Statement of Financial Activities an amount they consider adequate to cover potential costs of defending the existing status and the tax, national insurance and penalties that may arise from errors in individual's employment status.

An impairment review was carried out on Vale Healthcare Limited and resulted in a full impairment of the remaining goodwill of £3.4m in 2011.

The fees incurred on aborted transactions to buy and sell businesses in 2012 have been expensed as exceptional items in the Income & Expenditure Account in that year.

The exceptional costs are:

	2012 £m	2011 £m
Cost of services		
Reversal of impairment of tangible fixed assets	1.2	5.9
Employment status of workers	(1.1)	-
Impairment of intangible fixed assets	-	(3.4)
	0.1	2.5
Support costs		
Abortive fees	(0.6)	-
	(0.5)	2.5

6 Operating surplus

	2012 £m	2011 £m
This is stated after charging or crediting (including VAT):		
Fees payable by the Charity for the audit of the Charity's annual accounts	0.3	0.3
Fees payable to the company's auditor and its associates for other services:		
Corporate finance services	0.1	-
Tax services	0.1	0.2
Total fees to the company's auditor	0.5	0.5

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.

	2012 £m	2011 £m
Depreciation on tangible fixed assets:		
On owned assets	48.1	44.5
On assets held under finance leases and hire purchase contracts for equipment and motor vehicles	3.5	2.6
Depreciation charge (note 16)	51.6	47.1
Loss on disposal of tangible fixed assets	1.6	1.2
Normal depreciation	53.2	48.3
Reversal of impairment of tangible fixed assets (note 16)	(1.2)	(5.9)
	52.0	42.4

6 Operating surplus (continued)

	2012 £m	2011 £m
Operating surplus stated after charging or crediting:		
Amortisation of goodwill of subsidiaries (note 15)	5.9	5.8
Impairment of goodwill of subsidiaries	-	3.4
Hire of plant and machinery (including operating lease charges)	7.9	7.7
Property operating lease rentals	21.9	22.2
Rental income from operating leases	0.5	1.1
Third party indemnity insurance	1.0	0.9

Indemnity insurance for the Trustees and officers amounted to £14,000 (2011 - £14,000).

7 Exceptional items reported after operating surplus

	2012 Total £m	2011 Total £m
Deficit on disposals of business		
Deficit on disposal of local authority fitness and wellbeing centres	-	(0.2)
Surplus on disposal of tangible fixed assets	0.4	0.7
	0.4	0.5

The deficit on disposal of business in 2011 arises from the strategic decision to exit the market of direct management of local authority fitness centres. The management contracts were sold with effect from 1 February 2011. The surplus on disposal of tangible fixed assets relates to non-core property sales.

8 Net interest payable and similar income

	2012 £m	2011 £m
Group interest receivable	0.4	0.5
Interest payable		
Bank loans and overdraft	(13.2)	(13.3)
Finance charges in respect of finance leases	(0.5)	(0.3)
Unwinding of discounting on purchase of subsidiaries	(0.5)	(0.2)
Total interest payable	(14.2)	(13.8)
Costs in connection with loan facilities	(1.1)	(1.1)
Unamortised costs written off at time of refinancing	-	(0.6)
	(15.3)	(15.5)
Retirement benefit finance costs	(3.4)	(2.2)
Total interest payable	(18.7)	(17.7)
Group net interest payable and similar income	(18.3)	(17.2)

9 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 is now closed to new entrants.

The most recent formal actuarial valuation of the Nuffield Health Pension and Life Assurance Scheme (a defined benefit pension scheme) was carried out as at 31 March 2012. 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 dated 9 April 2013, which was agreed by the Trustees of the Scheme and Nuffield Health as part of the valuation.

At the date of the above full valuation the value of the Scheme's assets was sufficient to cover 76% 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 £8.5m (2011 - £8.4m). The employer has agreed to contribute £7.2m annually to fund the past service deficit and administration costs that are estimated to be £1.3m, which is currently projected to recover the deficit within ten years.

The actuarial valuations have been updated by an independent qualified actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2012. The projected unit method is used to value the liabilities of the defined benefit pension scheme. As the defined benefit pension scheme is closed to new members the current service costs under the projected unit method will increase as the members of the scheme approach retirement. Scheme assets are stated at their market value at 31 December 2012.

The main FRS 17 assumptions are:

	2012 %pa	**2011** %pa
Rate of increase in medical inflation	4.2%	4.3%
Rate of increase for pensions in payment pre 1 August 2005 service	3.3%	3.4%
Rate of increase for pensions in payment post 31 July 2005 service	2.0%	2.1%
Rate of increase for deferred pensions	2.2%	2.3%
Discount rate (yield curve basis)	4.3%	4.7%
Inflation rate (CPI)	2.2%	2.3%

Following the Government's announcement that the inflation measure for determining pension increases will be based on CPI rather than RPI the valuation of the deferred pension liabilities of the funded scheme is now based on CPI. The Trustees are of the opinion that there was a change in the employee's expectation as correspondence with the deferred pensioners in earlier years had made reference to RPI as the inflationary increase, therefore there is an exceptional credit of £8.2m to the income and expenditure account and statement of financial activities in 2011.

The post retirement mortality assumptions used to value the benefit obligation at 31 December 2012 and 31 December 2011 are based on the mortality tables S1NM/FA mc. Assumed life expectancies on retirement age at 65 are:

		2012	**2011**
Retiring today	Males	23.1	21.7
	Females	25.5	24.8
Retiring in 20 years time	Males	25.3	23.7
	Females	27.1	26.3

9 Defined benefit pensions and other post retirement benefits (continued)

The expected long term returns on the assets are:

	Actual rate of return %	Expected rate of return %pa	2012 Value £m	Expected rate of return %pa	2011 Value £m
Growth assets	5.8 %	6.1%	193.1	-	-
Matching assets including liability hedge in 2012	(2.9%)	3.1%	71.7	-	-
Equity and equity hedge	(3.2%)	-	-	6.6%	81.6
Bonds	4.2%	-	-	3.6%	106.2
Dynamic asset fund	2.0%	-	-	6.1%	50.1
Property	(8.1%)	-	-	5.6%	5.7
Other including liability hedge in 2011	-	-	2.5	0.5%	19.3

From 31 May 2012 the pension scheme moved to a fiduciary management approach. As at the end of 2012 the allocation in the fiduciary portfolio was equities (including structured equity) 26.3%, bonds 21.2%, property 1.8%, liability hedger 27.5% and other 23.2%. The actual rates of return for all asset classes above, with the exception of the fiduciary managed assets (growth and matching assets) are for the period 1 January 2012 to 31 May 2012. The fiduciary managed asset returns is for the period 31 May 2012 to 31 December 2012.

The amounts charged to the income and expenditure account/statement of financial activities were:

	Defined benefit pension funds		Retirement healthcare		Total	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Operating surplus						
Current service cost	1.3	1.4	-	-	1.3	1.4
Net interest payable/(receivable):						
Expected return on schemes' assets	(12.6)	(14.9)	-	-	(12.6)	(14.9)
Interest on schemes' liabilities	15.8	16.8	0.2	0.3	16.0	17.1
Total charged to finance expenses	3.2	1.9	0.2	0.3	3.4	2.2
Total	4.5	3.3	0.2	0.3	4.7	3.6
Actual return on assets	8.7	16.2	-	-	8.7	16.2

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

	2012 £m	2011 £m
On obligations – interest costs	(22.1)	(16.4)
On fund assets – expected return	(3.9)	1.3
Net actuarial (losses) on defined benefit retirement schemes	(26.0)	(15.1)

9 Defined benefit pensions and other post retirement benefits (continued)

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

	Defined benefit pension funds 2012 £m	Defined benefit pension funds 2011 £m	Retirement healthcare 2012 £m	Retirement healthcare 2011 £m	Total 2012 £m	Total 2011 £m
Fair value of schemes' asset	267.3	262.9	-	-	267.3	262.9
Present value of funded obligations	(367.5)	(340.9)	-	-	(367.5)	(340.9)
	(100.2)	(78.0)	-	-	(100.2)	(78.0)
Present value of unfunded obligations	(2.4)	(2.2)	(4.2)	(4.7)	(6.6)	(6.9)
Net liabilities	(102.6)	(80.2)	(4.2)	(4.7)	(106.8)	(84.9)

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

	Defined benefit pension funds 2012 £m	Defined benefit pension funds 2011 £m	Retirement healthcare 2012 £m	Retirement healthcare 2011 £m	Total 2012 £m	Total 2011 £m
Opening defined benefit obligations	(343.1)	(319.1)	(4.7)	(5.2)	(347.8)	(324.3)
Current service cost	(1.3)	(1.4)	-	-	(1.3)	(1.4)
Benefits paid	12.9	11.1	0.2	0.3	13.1	11.4
Interest cost	(15.8)	(16.8)	(0.2)	(0.3)	(16.0)	(17.1)
Actuarial (losses)/gains	(22.6)	(16.9)	0.5	0.5	(22.1)	(16.4)
Closing defined benefit obligations	(369.9)	(343.1)	(4.2)	(4.7)	(374.1)	(347.8)

The cumulative actuarial losses recognised in the statement of financial activities at 31 December 2012 were £127.9m (2011 - £102.0m).

Changes in the fair value of the defined benefit pension funds' assets are as follows:

	Defined benefit pension funds 2012 £m	Defined benefit pension funds 2011 £m	Retirement healthcare 2012 £m	Retirement healthcare 2011 £m	Total 2012 £m	Total 2011 £m
Opening fair value of plan assets	262.9	249.3	-	-	262.9	249.3
Expected return	12.6	14.9	-	-	12.6	14.9
Actuarial (losses)/gains	(3.9)	1.3	-	-	(3.9)	1.3
Contributions paid	8.6	8.5	0.2	0.3	8.8	8.8
Benefits paid	(12.9)	(11.1)	(0.2)	(0.3)	(13.1)	(11.4)
Closing fair value of plan assets	267.3	262.9	-	-	267.3	262.9

9 Defined benefit pensions and other post retirement benefits (continued)

Amounts for the current and previous four periods for the defined benefit pension funds are as follows:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Defined benefit obligation	(369.9)	(343.1)	(319.1)	(301.2)	(238.5)
Plan assets	267.3	262.9	249.3	228.9	211.3
Deficit	(102.6)	(80.2)	(69.8)	(72.3)	(27.2)
Experience adjustments on obligation					
Value	3.1	2.9	(2.7)	2.6	(12.1)
As percentage of defined benefit obligation	(0.8%)	(0.8%)	0.8%	(0.8%)	5.1%
Experience adjustments on plan assets					
Value	(3.9)	1.3	8.3	5.7	(19.6)
As percentage of plan assets	(1.5%)	0.5%	3.3%	2.5%	(9.3%)

The plan assets are valued at bid price.

Amounts for the current and previous four periods for the retirement healthcare obligation are as follows:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Defined benefit obligation	(4.2)	(4.7)	(5.2)	(5.6)	(5.0)
Experience adjustments on obligation	0.7	0.3	0.3	0.1	0.5

10 Defined contribution pension schemes

	2012 £m	2011 £m
The amounts charged to the income and expenditure account and statement of financial activities	5.9	5.5
Contributions owing to the pension schemes at 31 December	1.3	0.6

11 Trustees

	2012 £	2011 £
Fees paid to the Trustees:		
Mr R S M Hardy	42,389	28,582
Ms F E Driscoll	35,000	35,000
Ms J L Wesson	35,000	35,000
Ms M Cassoni	29,750	7,000
Mr P G McCracken	29,750	28,000
Mrs J M Shaw	27,860	9,333
Mr M J Smith	24,500	49,000
Mr N W McCausland	-	2,333
	224,249	194,248

No other emoluments were paid to the Trustees. Travel and subsistence paid on behalf of or reimbursed to all the Trustees was £24,721 (2011 - £22,471) in the year.

12 Employees

	2012 Number	2012 WTE	2011 Number	2011 WTE
Average number of employees:				
Direct charitable activities	10,574	6,635	10,206	6,581
Support and governance	94	90	88	84
	10,668	6,725	10,294	6,665

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

	2012	2011
Number of employees in defined contribution pension schemes	2,182	2,064

	2012 £m	2011 £m
Staff costs during the year:		
Wages and salaries	187.6	169.4
Social security costs	16.5	14.8
Other pension costs		
Defined benefit current services cost (note 9)	1.3	1.4
Defined contribution (note 10)	5.9	5.5
Agency costs	7.2	6.2
	218.5	197.3

12 Employees (continued)

The emoluments of the higher paid employees fell within the ranges indicated below. These emoluments include bonuses payable, redundancy payments, compromise agreement payments and long term incentive plan benefits but exclude pension contributions.

	2012 Number	2011 Number
£60,000 to £69,999	61	50
£70,000 to £79,999	34	35
£80,000 to £89,999	25	15
£90,000 to £99,999	14	18
£100,000 to £109,999	10	10
£110,000 to £119,999	6	11
£120,000 to £129,999	8	4
£130,000 to £139,999	7	8
£140,000 to £149,999	1	1
£150,000 to £159,999	5	1
£160,000 to £169,999	3	1
£180,000 to £189,999	2	-
£190,000 to £199,999	2	-
£200,000 to £209,999	-	1
£210,000 to £219,999	4	1
£220,000 to £229,999	-	1
£240,000 to £249,999	-	1
£260,000 to £269,999	1	-
£270,000 to £279,999	1	1
£280,000 to £289,999	-	1
£290,000 to £299,999	1	-
£310,000 to £319,999	1	-
£340,000 to £349,999	-	2
£350,000 to £359,999	1	-
£370,000 to £379,999	1	-
£440,000 to £449,999	1	-
£450,000 to £459,999	-	1
£520,000 to £529,999	1	-
£840,000 to £849,999	1	-
£850,000 to £859,999	-	1

	2012 £m	2011 £m
Employer contributions towards defined contribution pension schemes for higher paid employees	1.1	1.2

	Number	Number
Number of higher paid employees to whom retirement benefits are accruing under the defined contribution pension scheme	124	103

The Board recognises 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 Executive Remuneration and Succession Committee, which takes independent advice from specialist executive remuneration consultants. The total compensation (including base salary, annual bonus and pension contribution) is at 75% of the market median where the data selected is referenced to FTSE 250 companies. The notice periods for senior executives contracts is between nine and twelve months.

13 Tax on surplus on ordinary activities

	2012 £m	2011 £m
Current tax		
United Kingdom corporation tax at 24% (2011 – 26%) payable by Medica Reporting Limited	-	0.1

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

The subsidiary companies other than Medica Reporting Limited have tax losses available to carry forward against future taxable profits. No deferred taxation asset has been recognised within the financial statements at 31 December 2012 in respect of these losses because they are unlikely to be recovered. No deferred tax liability is provided in Medica Reporting Limited as the Group expects to continue to be able to claim capital allowances in excess of depreciation in future years.

14 Retained surplus/net movement in funds in the financial year

The Charity has taken advantage of Section 408(3) of the Companies Act 2006 and has not included its own income and expenditure account or statement of financial activities in these financial statements. The summary statement of financial activities for the Charity is as follows:

	2012 £m	2011 £m
Total incoming resources	633.6	564.3
Total resources expended	(630.8)	(563.2)
Net resources expended before transfer of funds	2.8	1.1
Actuarial losses on retirement schemes	(26.0)	(15.1)
Net movement in funds	(23.2)	(14.0)

15 Intangible fixed assets

	Group £m	Charity £m
Goodwill		
Cost		
At 1 January 2012	70.5	49.3
Adjustment to cost	2.0	-
Acquisitions (note 32)	4.1	1.8
Transfer from subsidiary	-	2.3
At 31 December 2012	76.6	53.4
Amortisation		
At 1 January 2012	26.8	19.9
Charge for year	5.9	5.2
At 31 December 2012	32.7	25.1
Net book value at 31 December 2012	43.9	28.3
Net book value at 31 December 2011	43.7	29.4

Goodwill is the difference between the cost of purchase and the fair value of the assets and liabilities attributed to the purchase. The total goodwill recognised on the purchase of Greens Health & Fitness Limited is £2.3m. This was transferred from the subsidiary when the business was hived-up to the Charity on the day following its purchase. The goodwill on purchasing the trade of Oxford Musculoskeletal LLP is £1.8m.

15 Intangible fixed assets (continued)

The adjustment to costs arises from goodwill being updated to reflect the January 2013 purchase agreement for the remaining shares of Medica Reporting Limited.

Goodwill is amortised in accordance with the accounting policy. Impairment reviews are carried out in relation to the income generating units and are described in detail in note 17.

16 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 2012	17.8	233.5	50.2	83.3	433.1	817.9
Additions at cost	30.8	-	-	-	38.5	69.3
Acquisitions (note 32)	0.3	-	-	4.4	6.2	10.9
Disposals	-	(1.2)	-	(1.3)	(16.6)	(19.1)
Transfers	(26.4)	-	0.7	-	25.7	-
At 31 December 2012	22.5	232.3	50.9	86.4	486.9	879.0
Depreciation						
At 1 January 2012	-	75.3	5.0	26.7	261.8	368.8
Charge for year	-	6.0	1.5	2.2	41.9	51.6
Impairment release	-	(1.2)	-	-	-	(1.2)
Disposals	-	(0.6)	-	(1.0)	(14.8)	(16.4)
Transfers	-	0.1	-	(0.1)	-	-
At 31 December 2012	-	79.6	6.5	27.8	288.9	402.8
Net book value at 31 December 2012	22.5	152.7	44.4	58.6	198.0	476.2
Net book value at 31 December 2011	17.8	158.2	45.2	56.6	171.3	449.1

The gross amount on which depreciation on freehold buildings is being provided is £209.7m (2011 - £211.2m).

The net book value of equipment and motor vehicles held under finance leases and similar hire purchase contracts is £11.1m (2011 - £6.7m).

16 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 2012	17.8	222.2	50.3	86.0	430.7	807.0
Additions at cost	30.8	-	-	-	37.5	68.3
Disposals	-	(1.2)	-	(0.4)	(16.6)	(18.2)
Transfers	(26.4)	-	0.7	-	25.7	-
Transfers from subsidiaries	0.3	-	-	4.4	6.2	10.9
At 31 December 2012	22.5	221.0	51.0	90.0	483.5	868.0
Depreciation						
At 1 January 2012	-	73.2	5.1	25.6	259.9	363.8
Charge for year	-	5.9	1.5	2.1	41.6	51.1
Impairment loss/release	-	(1.2)	-	-	-	(1.2)
Disposals	-	(0.6)	-	(0.5)	(14.8)	(15.9)
Transfers from subsidiaries	-	-	-	-	-	-
At 31 December 2012	-	77.3	6.6	27.2	286.7	397.8
Net book value at 31 December 2012	22.5	143.7	44.4	62.8	196.8	470.2
Net book value at 31 December 2011	17.8	149.0	45.2	60.4	170.8	443.2

Group and Charity

Additions during the year included capitalised internal project development costs of £0.2m (2011 - £0.9m). The interest charges and internal project development costs capitalised to date are £10.6m (2011 - £10.6m) and £10.8m (2011 - £10.6m) respectively.

A valuation of the hospitals for loan security purposes at 18 October 2011 was undertaken by GVA Grimley LLP in accordance with the Royal Institution of Chartered Surveyors' Guidance Notes on the Valuation of Assets. The valuation of the hospitals is £843m, giving a surplus of £513m over the net book value at the date of valuation.

17 Impairment

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 are hospitals located in a same town or city in the Hospital Division and individual Consumer Fitness & Wellbeing Centres in the Wellbeing Division. The hospitals are valued at the higher of realisable value and value in use and the Consumer Fitness & Wellbeing Centres at their value in use as there are no reasonable estimates for net realisable value.

Impairments measured by discounting cash flows in order to estimate the value in use are monitored for the five years following their initial calculation. The value in use calculations use the pre-interest cash flow forecasts based on the 2013 financial budgets approved by the Board of Trustees and management projections for the next four years. The cash flows beyond five years use the long term average growth rates expected in those sectors over the lower of 55 years or the remaining period of the leases. The key assumptions used in the calculation are set out below.

	Hospital	Wellbeing
Average growth rate in first five years	2.2%	3.3%
Growth rate beyond five years	1.7%	1.7%
Inflation rate beyond five years	2.2%	2.2%
Discount rate including risk	10.0%	12.0%

The impairments based on the value in use are monitored for the five years following their initial calculation.

17 Impairment (continued)

Hospital

The property valuation of the hospitals identified a reversal of an impairment of £1.2m on tangible fixed assets recognised in previous years due to an increase in market value of the assets.

Wellbeing

The growth rates in the first five years of Wellbeing take into consideration an anticipated recovery in the UK economy. A 1% change in the Wellbeing growth rate assumption in the first five years alters the value in use by £1.6m. A reduction in the discount rate of 1% increases the value in use by £1.4m and an increase in the rate by 1% reduces the value in use by £2.1m.

When the actual results for 2012 replace the forecast used in the 2011 impairment calculation the impairment would increase for some sites and reduce for others, the net effect is a potential impairment increase of £3.1m. A new review was carried out at the year end which showed the potential impairment of £3.1m had reversed with no charge or release to the income and expenditure account and statement of financial activities.

The 2012 reversal takes into consideration current cash forecasts.

18 Fixed asset investments

Group	UK Listed investment £m	Unlisted investment £m	Total £m
Market value			
At 1 January 2012 and 31 December 2012	0.1	0.3	0.4

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.

Charity	Subsidiary undertaking £m	UK listed investments £m	Unlisted investments £m	Total £m
Cost or market value				
At 1 January 2012	50.1	0.1	0.3	50.5
Additions	6.9	-	-	6.9
At 31 December 2012	57.0	0.1	0.3	57.4
Provision for impairment				
At 1 January 2012 and 31 December 2012	9.5	-	-	9.5
Net book value at 31 December 2012	47.5	0.1	0.3	47.9
Net book value at 31 December 2011	40.6	0.1	0.3	41.0

18 Fixed asset investments (continued)

Subsidiary undertakings

The principal subsidiary undertakings in the Group at 31 December 2012 which are registered in England and Wales are shown below. Only those undertakings that principally affect the figures in the Group accounts are shown, as the total number of subsidiary undertakings is too numerous to disclose. A full list of subsidiary undertakings will be annexed to the Charity's next annual return as allowed by section 410 (2) of the Companies Act 2006.

Company name	Class of share capital held	Portion held by the parent company	Portion held by other group companies	Nature of business
Health Club Investments Group Limited	Ordinary	100%	-	Holding company
Medica Reporting Limited	Ordinary	100%	-	Medical diagnostics
Bladerunner Limited	Ordinary	100%	-	Corporate fitness centres
Vale Healthcare Limited	Ordinary	22%	78%	Hospital operator
Greens Health & Fitness Limited	Ordinary	100%	-	Consumer fitness centres

Medica Reporting Limited is classified as a wholly owned subsidiary as the call option was exercised in January 2013, resulting in the Charity purchasing the 10% of the ordinary shares it does not already own.

The business activities Bladerunner Limited was hived-up into the Charity on 1 April 2011 and that of Greens Health & Fitness Limited on 24 January 2012, the day after its purchase.

The summary financial information of the principal subsidiary undertakings prior to consolidation adjustments but excluding donations to the Charity is set out below, showing the number of months trading as a subsidiary of Nuffield Health.

Number of months trading in subsidiary	Medica 2012 12 mths £m	Medica 2011 12 mths £m	Bladerunner 2012 0 mths £m	Bladerunner 2011 3 mths £m
Turnover	11.0	7.7	-	2.6
Cost of services, support and governance costs and net interest payable	(7.3)	(6.9)	-	(2.4)
Profit on hive-up of business to Charity	-	-	-	8.8
Retained gain in subsidiary undertakings	3.7	0.8	-	9.0
Fixed and current assets	6.8	3.4	-	9.7
Current liabilities and creditors falling due after more than one year	(1.8)	(0.8)	-	-
Net assets	5.0	2.6	-	9.7

19 Associate

The Group acquired 49% of the voting capital of Quinteq AG on 20 September 2012. The company is the provider of the software and infrastructure of the Group's HealthScore™ product. Quentiq AG has subsequently changed its name to dacadoo ag.

Group	2012 £m
Share of fixed and current assets	2.5
Share of current liabilities and creditors falling due after more than one year	(1.8)
Share of net assets	0.7
Share of net assets	0.7
Goodwill	1.5
Loans made by Group companies to associate	1.1
	3.3

Number of months trading as associate	2012 4 mths £m
Share of turnover	-
Share of operating loss after tax	(0.4)
Amortisation of goodwill	(0.1)
Share of operating loss	(0.5)

Charity	Shares £m	Loans £m	Total £m
Cost or market value			
At 1 January 2012	-	-	-
Additions	2.6	1.1	3.7
At 31 December 2012	2.6	1.1	3.7

The transactions between the Group and Quentiq AG are summarised below.

	2012 £m
Purchases from associate	
Purchase of HealthScore™ licences from Quentiq	0.8
Contributions to development costs	0.1
	0.9

The loan to the associate is unsecured at an interest rate of 3% repayable no later than September 2016.

20 Stock

	Group 2012 £m	Group 2011 £m	Charity 2012 £m	Charity 2011 £m
Raw materials and consumables	7.3	7.0	7.3	7.0
Consignment stock not included in the balance sheet	13.4	12.8	13.4	12.8

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.

21 Debtors falling due within one year

	Group 2012 £m	Group 2011 £m	Charity 2012 £m	Charity 2011 £m
Trade debtors	46.5	44.6	44.1	42.6
Amount owed by Group undertakings	-	-	141.9	136.0
Other debtors	10.6	7.5	9.5	7.3
Prepayments and accrued income	16.3	14.1	16.3	14.1
	73.4	66.2	211.8	200.0

Interest is charged on loans to Group undertakings at the average interest rate incurred by the Charity, the loans are repayable on demand and are unsecured.

Within other debtors there is £6.2m (2011 - £5.8m) due from Vanguard Healthcare Limited that is repayable no later than March 2016.

22 Creditors : amounts falling due within one year

	Group 2012 £m	Group 2011 £m	Charity 2012 £m	Charity 2011 £m
Obligations under finance leases	3.1	1.8	3.1	1.8
Deferred expenses in connection with bank loans	(0.7)	(0.7)	(0.7)	(0.7)
Other loans	0.4	2.2	0.4	2.2
Trade creditors	30.0	25.7	29.6	25.3
Amounts owed to Group undertakings	-	-	157.1	147.8
Social security and other taxes	6.9	6.1	6.2	6.1
Deferred/contingent consideration	6.2	3.9	6.2	3.9
Other creditors	22.8	10.7	22.8	10.8
Pension contributions	1.3	1.2	1.3	1.2
Accruals and deferred income	51.2	48.2	50.9	48.0
	121.2	99.1	276.9	246.4

23 Creditors : amounts falling due after more than one year

	Group		Charity	
	2012 £m	2011 £m	2012 £m	2011 £m
Bank loans	235.0	218.0	235.0	218.0
Deferred expenses in connection with bank loans	(0.9)	(1.6)	(0.9)	(1.6)
	234.1	216.4	234.1	216.4
Other loans	0.3	0.4	-	0.1
Obligations under finance leases	7.4	5.2	7.4	5.2
Social security and other taxes	-	0.2	-	0.2
Deferred/contingent consideration	3.5	4.0	3.5	4.0
	245.3	226.2	245.0	225.9

24 Borrowings

	Group		Charity	
	2012 £m	2011 £m	2012 £m	2011 £m
Borrowings are repayable as follows:				
One year or less				
Finance leases	3.1	1.8	3.1	1.8
Other loans	0.4	2.2	0.4	2.2
In more than one but not more than two years:				
Finance leases	3.0	2.0	3.0	2.0
Bank loans	9.0	-	9.0	-
Other loans	-	0.4	-	0.1
In more than two but not more than five years:				
Finance leases	4.4	2.8	4.4	2.8
Bank loans	226.0	218.0	226.0	218.0
In more than five years:				
Finance leases	-	0.4	-	0.4
Other loans	0.3	-	-	-
	246.2	227.6	245.9	227.3

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

25 Financial derivatives

The financial derivatives in place are:

	Maturity	Fixed rate %	Principal £m
In Charity			
At 31 December 2012			
Interest rate swap into a fixed rate	2017	5.4%	50.0
Interest rate swap into a fixed rate	2017	7.1%	50.0
Interest rate swap into a fixed rate	2017	5.1%	1.4
Interest rate swap into a fixed rate	2020	5.0%	9.1
At 31 December 2011			
Interest rate swap into a fixed rate	2017	5.4%	50.0
Interest rate swap into a fixed rate	2017	7.1%	50.0
Interest rate swap into a fixed rate	2017	5.1%	1.8
Interest rate swap into a fixed rate	2020	5.0%	9.8

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 2012 is a liability of £27.1m (2011 - £28.7m).

26 Provisions for liabilities

	Vacant properties £m	Onerous properties £m	Self insured £m	Other provisions £m	Total £m
Group					
At 1 January 2012	2.2	2.7	-	1.3	6.2
Utilised in year	(0.4)	(0.3)	-	(0.8)	(1.5)
Charged in year	0.6	0.3	1.1	0.8	2.8
	2.4	2.7	1.1	1.3	7.5
Charity					
At 1 January 2012	0.2	2.7	-	1.3	4.2
Utilised in year	-	(0.3)	-	(0.8)	(1.1)
Charged in year	-	0.3	1.1	0.8	2.2
	0.2	2.7	1.1	1.3	5.3

The provision for vacant properties is the estimated costs to be incurred on premises that are vacant, which are expected to be vacant for between three and seven years. 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 provision is 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 four and twenty six years. The provision is discounted.

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 £1.4m.

Other provisions comprise those for Poly Implant Prostheses (PIP), contractual disputes and dilapidations on leasehold properties.

26 Provisions for liabilities (continued)

The Charity made the decision to meet the cost of removing and or replacing PIPs that had been implanted in any of its hospitals. The provision is an estimate based on the number of patients who have had PIP implants.

Contractual disputes 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 but their value is uncertain.

27 Permanent endowments

	Group and Charity £m
At 1 January 2012 and at 31 December 2012	0.1

The permanent endowments are held for the benefit of Nuffield Health Hospital Brentwood and Nuffield Health Manor Hospital in Oxford.

28 Analysis of net assets between funds

	Endowment £m	Restricted £m	Unrestricted £m	Total £m
Group fund balances at 31 December 2012 are represented by:				
Intangible fixed assets	-	-	43.9	43.9
Tangible fixed assets	-	-	476.2	476.2
Investments	0.1	-	0.3	0.4
Investment in associate	-	-	3.3	3.3
Current assets	-	1.2	96.7	97.9
Current liabilities	-	-	(121.2)	(121.2)
Creditors : amounts falling due more than one year	-	-	(245.3)	(245.3)
Provisions for liabilities	-	-	(7.5)	(7.5)
Net assets excluding post retirement liability	0.1	1.2	246.4	247.7
Post retirement benefit liability	-	-	(106.8)	(106.8)
Net assets	0.1	1.2	139.6	140.9
Charity fund balances at 31 December 2012 are represented by:				
Intangible fixed assets	-	-	28.3	28.3
Tangible fixed assets	-	-	470.2	470.2
Investments	0.1	-	47.8	47.9
Investment in associate	-	-	3.7	3.7
Current assets	-	1.2	231.1	232.3
Current liabilities	-	-	(276.9)	(276.9)
Creditors : amounts falling due more than one year	-	-	(245.0)	(245.0)
Provisions for liabilities	-	-	(5.3)	(5.3)
Net assets excluding post retirement liability	0.1	1.2	253.9	255.2
Post retirement benefit liability	-	-	(106.8)	(106.8)
Net assets	0.1	1.2	147.1	148.4

The restricted funds represent a number of donations where the monies received have not yet been used for the purpose defined by the donor and client bank accounts where the risks and rewards are with the Charity.

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.

29 Reconciliation of operating surplus to cash flow from operating activities

	Group 2012 £m	2011 £m
Group operating surplus	22.5	20.5
Exceptional items in operating surplus	0.5	(2.5)
Depreciation charge (note 6)	53.2	48.3
Amortisation of goodwill (note 6)	5.9	5.8
Earnings before interest, tax, depreciation, amortisation, exceptional items and non-cash elements of post retirement benefits	82.1	72.1
Decrease in stocks	0.2	1.0
(Increase)/decrease in debtors	(4.8)	7.4
Increase in creditors	4.5	2.3
Increase in provisions	1.4	0.1
Total cash flow from operations	83.4	82.9
Post retirement benefits - additional cash payments	(7.5)	(7.4)
Normal cash inflow from operating activities	75.9	75.5

Exceptional cash outflow from operations

	2012 £m	2011 £m
Exceptional items in operating surplus	(0.5)	2.5
Impairment of intangible fixed assets (note 6)	-	3.4
Reversal of tangible fixed asset impairment (note 6)	(1.2)	(5.9)
Increase in creditors	1.1	-
(Decrease) in provisions	-	(0.4)
Total cash outflow from operating activities	(0.6)	(0.4)

30 Returns on investments and servicing of finance

	Group 2012 £m	2011 £m
Interest received	0.1	0.2
Interest paid	(12.9)	(14.8)
Interest element of finance lease rental repayments	(1.1)	(0.1)
Issue costs on refinanced bank borrowings and fees paid to banks	-	(2.2)
	(13.9)	(16.9)

31 Capital expenditure and financial investment

	Group 2012 £m	2011 £m
Purchase of tangible fixed assets	(52.4)	(42.9)
Proceeds from sales of tangible fixed assets	0.5	0.6
	(51.9)	(42.3)
Exceptional proceeds from sales of tangible fixed assets	1.0	2.7

The exceptional proceeds from the disposal of tangible fixed assets are the significant property sales that relate to the disposal of tangible fixed assets on the consolidated income and expenditure account.

32 Acquisitions and disposals

Purchase of subsidiaries and businesses

The Charity purchased 100% of the nominal share capital of Greens Health and Fitness Limited on 23 January 2012 and the business was hived-up into the Charity on the following day, with the property leases remaining in Greens Health and Fitness Limited.

The trade of Oxford Musculoskeletal LLP (OM) was purchased on 15 February 2012 and integrated into the Nuffield Health Manor Hospital in Oxford. The other cash outflows are payments of deferred consideration and fees on the acquisitions of Vale Healthcare Limited and Guildford Clinic LLP.

Acquisition accounting is used in consolidating all the companies. The book values of Greens Health and Fitness Limited are taken from the management accounts at the time of acquisition. The fair values are provisional and will be finalised in the 2013 financial statements.

The amount of assets and liabilities of the acquisition are detailed below

	Greens £m	OM £m	Other £m	Total £m
Book and fair value:				
Tangible fixed assets	10.9	-	-	10.9
Stocks	0.5	-	-	0.5
Debtors	2.2	-	-	2.2
Cash	1.8	-	-	1.8
Creditors	(3.0)	-	-	(3.0)
Finance leases	(1.8)	-	-	(1.8)
Net assets purchased	10.6	-	-	10.6
Goodwill (note 15)	2.3	1.8	-	4.1
	12.9	1.8	-	14.7
Satisfied by:				
Cash	12.9	1.8	0.9	15.6
Less cash in subsidiary	(1.8)	-	-	(1.8)
	11.1	1.8	0.9	13.8
Subsidiary's loss after tax in its latest financial year	(2.8)			
Subsidiary's profit after tax from the beginning of its Financial year until its acquisition	(0.5)			

32 Acquisitions and disposals (continued)

	£m
Summary income and expenditure account of the Greens business from date of acquisition	
Turnover	30.0
Operating profit	0.5
Net interest payable	(0.2)
Retained surplus	0.3
Utilisation of Group cash from date of acquisition:	
Net cash from operations	2.8
Capital expenditure	(7.0)
Return on investment and servicing of finance	(0.2)
	(4.4)

33 Financing

		Group
	2012 £m	2011 £m
New bank loans	17.0	16.0
Repayment of bank loans	-	(9.5)
Repayment of loans	(2.0)	(0.2)
Capital element of finance lease rental payments	(3.4)	(1.9)
	11.6	4.4

34 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	12.8	4.4	-	17.2
Bank loans due after more than one year (note 23)	(218.0)	(17.0)	-	(235.0)
Other loans due within one year (note 22)	(2.2)	1.9	(0.1)	(0.4)
Other loans due after more than one year (note 23)	(0.4)	0.1	-	(0.3)
Finance leases due within one year (note 22)	(1.8)	3.4	(4.7)	(3.1)
Finance leases due after more than one year (note 23)	(5.2)	-	(2.2)	(7.4)
	(214.8)	(7.2)	(7.0)	(229.0)

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 £5.2m and £1.8m of leases acquired with the acquisitions.

35 Capital commitments

	Group and Charity	
	2012 £m	2011 £m
Contracted for but not provided in these financial statements	20.1	14.8

36 Operating lease commitments

	Group 2012 £m	Group 2011 £m	Charity 2012 £m	Charity 2011 £m
Annual commitments under non-cancellable operating leases which expire as follows:				
Land and buildings				
Less than 1 year	0.7	-	0.7	-
Between 1 and 5 years	0.6	2.1	0.6	2.1
After 5 years	30.0	18.3	29.6	17.9
	31.3	20.4	30.9	20.0
Other				
Less than 1 year	0.1	1.0	0.1	1.0
Between 1 and 5 years	4.0	5.1	4.0	5.1
	4.1	6.1	4.1	6.1

37 Contingent liabilities

The Charity has guaranteed the bank overdraft of Healthcode Ltd, its unlisted investment, to a value of £0.1m (2011 - £0.1m) and the loans from a previous shareholder in Bladerunner Limited to that company £nil (2011 - £0.6m)

38 Related party transactions

The Charity has no related party transactions in 2012, other than with wholly owned undertakings and an associate, and is using the exemption allowed by FRS 8 (Related Party Disclosures) not to disclose transactions with wholly owned undertakings. The related party transactions with the Group's associated undertaking are disclosed in note 19.