2014 Report and Financial Statements

Nuffield Health
FOR THE LOVE OF LIFE®

Gyms + Health Checks + Physio + Hospitals

Contents

Chairman's Statement

Russell Hardy

2014 was an encouraging year for Nuffield Health. We have made sound progress in implementing our strategy and shown a strong financial performance. The sustained investment in our infrastructure and overcoming the challenges faced in all our markets was essential. Despite the changing economic backdrop, positive results have been achieved across the organisation. We have made great strides in extending both the scale and the scope of our operations in order to pursue our charitable objectives, with over £74 million invested to improve and expand the services we provide.

Our Hospital Division has performed strongly this year with a significant increase in turnover (9%) driven by our differentiated offering and patient centred care as highlighted by the 'Nuffield Health Promise'. The Wellbeing Division has also performed well with turnover increasing by 10% with our strategy of complete healthcare strengthened by the acquisition of ten gyms in key markets. This increased our estate to 75 Fitness & Wellbeing Gyms; six of the ten new clubs are located close to a Nuffield Health Hospital, providing us with a fantastic opportunity to support local people with a complete health and wellbeing proposition.

Strategically we have continued to move forward on a number of fronts. In terms of extending our geographic reach to further our Charitable Objectives, not only have we acquired the gyms referred to above, but we have also announced a strategic partnership with Manchester Metropolitan University which provides us with an opportunity to build a private hospital in Central Manchester along with wellbeing services. Gaining greater access to the London, Birmingham and Manchester markets remains a long term objective of the charity. We also continue to invest heavily in digital services to extend our reach into those areas where we do not have physical locations, as well as improving the experience for our existing customers. This is a very fast moving sector in Healthcare, which creates its own challenges, but our Nuffield HealthScore™ digital service continues to gain traction with our customers and we were recently chosen by Microsoft as their strategic partner in this area.

2014 saw us commence a clearer direction for our brand. Nuffield Health, whilst much admired for its services by its customers has been less well known in the general marketplace. We have therefore started a brand campaign including TV advertising around the strap line "Nuffield Health - For the Love of Life". This allows us to emphasise that we help people 'get healthy and stay healthy'. We also invested in the brand through being an official partner of the Tour de France Fan Parks in Yorkshire, which were a great success and enjoyed by 380,000 attendees.

The economic environment in which we operate continues to be challenging and the continuation of very low interest rates is without precedence in peace time. During 2014 we took advantage of this and the opportunity to secure our balance sheet for the longer term. Historically the charity has been heavily reliant on bank debt for funding purposes. We have now replaced some of this with longer term fixed rate loans of 10 and 12 years and extended the life of our existing loans from four to seven years. As well as this we have increased the size of our existing facility to £330m from £270m, whilst still retaining full ownership of our freehold property base which continues to rise in value.

> 2014 was an encouraging year for Nuffield Health. We have made sound progress in implementing our strategy and shown a strong financial performance. We have made great strides in extending both the scale and scope of our operations in order to pursue our charitable objectives, with over £74 million invested to improve and extend the services we provide.

Outwith of the above there remains much uncertainty in our markets. In our hospitals business the Private Medical Insurance market is proving slow to recover and NHS price tariffs are under continued pressure. Only the self-pay market is looking strong but with the uncertainty of the economic outlook we have to be cautious. On the Wellbeing side our corporate customers continue to drive down their costs and competitors are more price competitive than before. Given this, our need to improve productivity and offer demonstrable value for money is essential.

These uncertain times, as well as the changing regulatory environment in which we operate, makes it even more important that our governance arrangements and risk management processes within the Charity are not only effective but aspire to be 'best in class'. The sub committees of the Board of Trustees have been rebalanced to this aim and now cover overall risk management and control through the Audit Committee, quality and patient and staff safety through the Quality and Safety Committee, financing and investment issues through the Finance and Investment Committee as well as the long standing Remuneration and Nomination committees. Through these structures we are, I believe, well placed to meet the requirements from Monitor on the four domains of good governance with alignment to the CQC work on Key Lines of Enquiry.

A good year like 2014 does not happen by accident. I would like to thank the executive team, led by David Mobbs, for their commitment and hard work in driving the charity forwards. I would also like to thank my fellow Trustees whose hard work is often in the background but is instrumental in helping us steer the right course for the charity.

2015 will no doubt be another year of substantial change but my fellow Trustees and I are confident that we are very well placed as an organisation to handle them.

Chief Executive Officer's Statement

David Mobbs

Our charitable objective is 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.

To fulfil our charitable aims we provide services to help people get healthy and stay healthy, to understand and manage their personal health risks, and to get timely diagnosis and treatment for any problems which arise. We believe helping people to maintain fitness and good health is just as important as the treatment of illness when it occurs.

Nuffield Health is unique in that we are an independent, not-for-profit organisation. With neither shareholders nor investors, our surplus is put back into improving infrastructure, enhancing the skills of our staff and supporting people to improve their health.

We have been a not-for-profit healthcare organisation for over fifty years which is what gives us such a strong ethical foundation, with a clear purpose - to champion health as it should be. Our purpose drives our mission – to support, enable and encourage people to improve their health and wellbeing in order to help themget the most out of life.

We do this by:

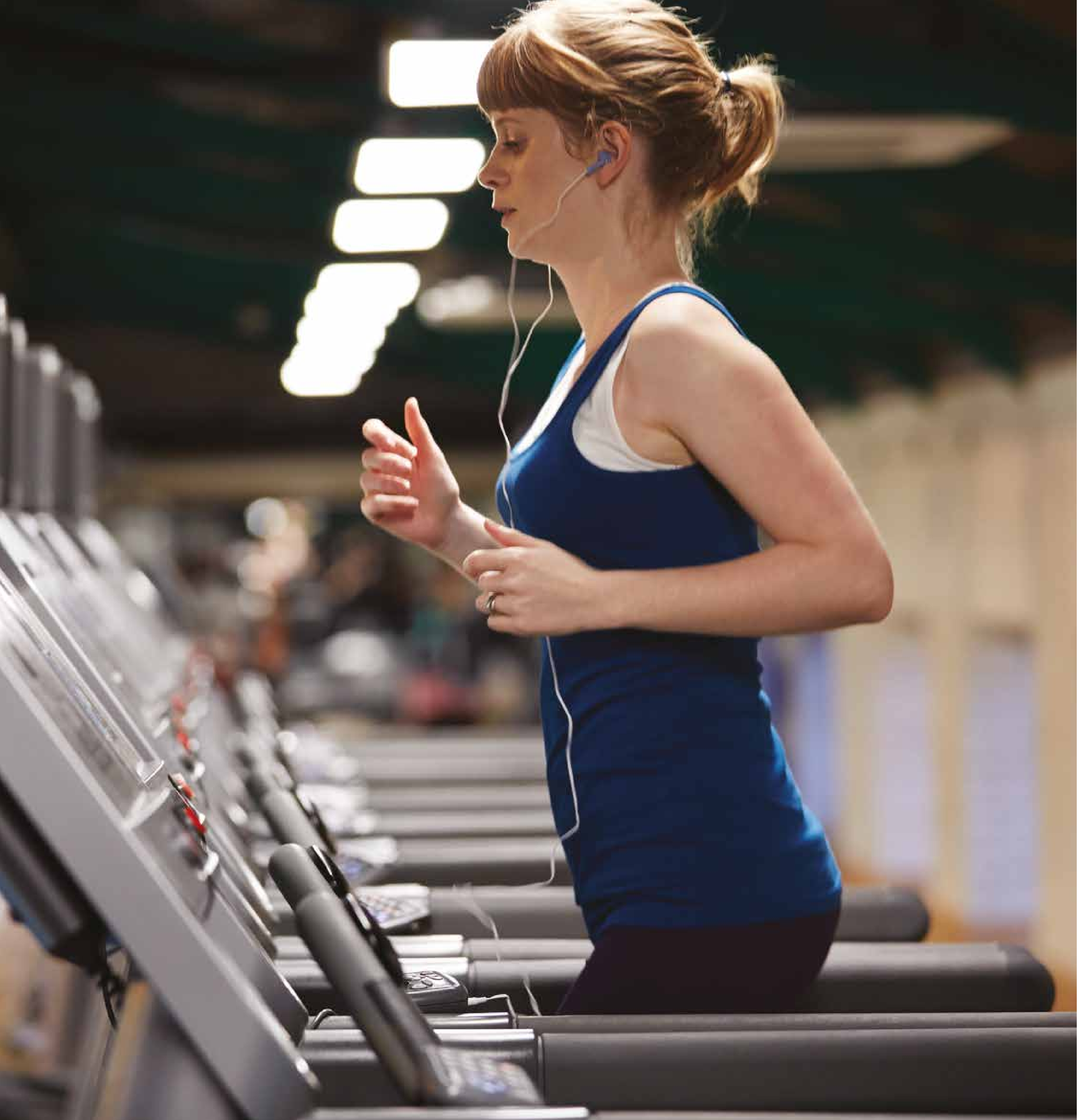
- Providing accessible, affordable healthcare
- Investing our surplus back into the organisation
- Working with our local communities

Nuffield Health exists to provide beneficial health services to the public. Most importantly, this means that people come first and we never put commercial gain before clinical need. We are in a unique position to challenge the status quo, anticipate and adapt quickly to emerging needs, and seek better ways of doing things for the benefit of all. This allows us to grow and develop new services, to reach new people, and to set ever higher standards for safety and patient or member experiences.

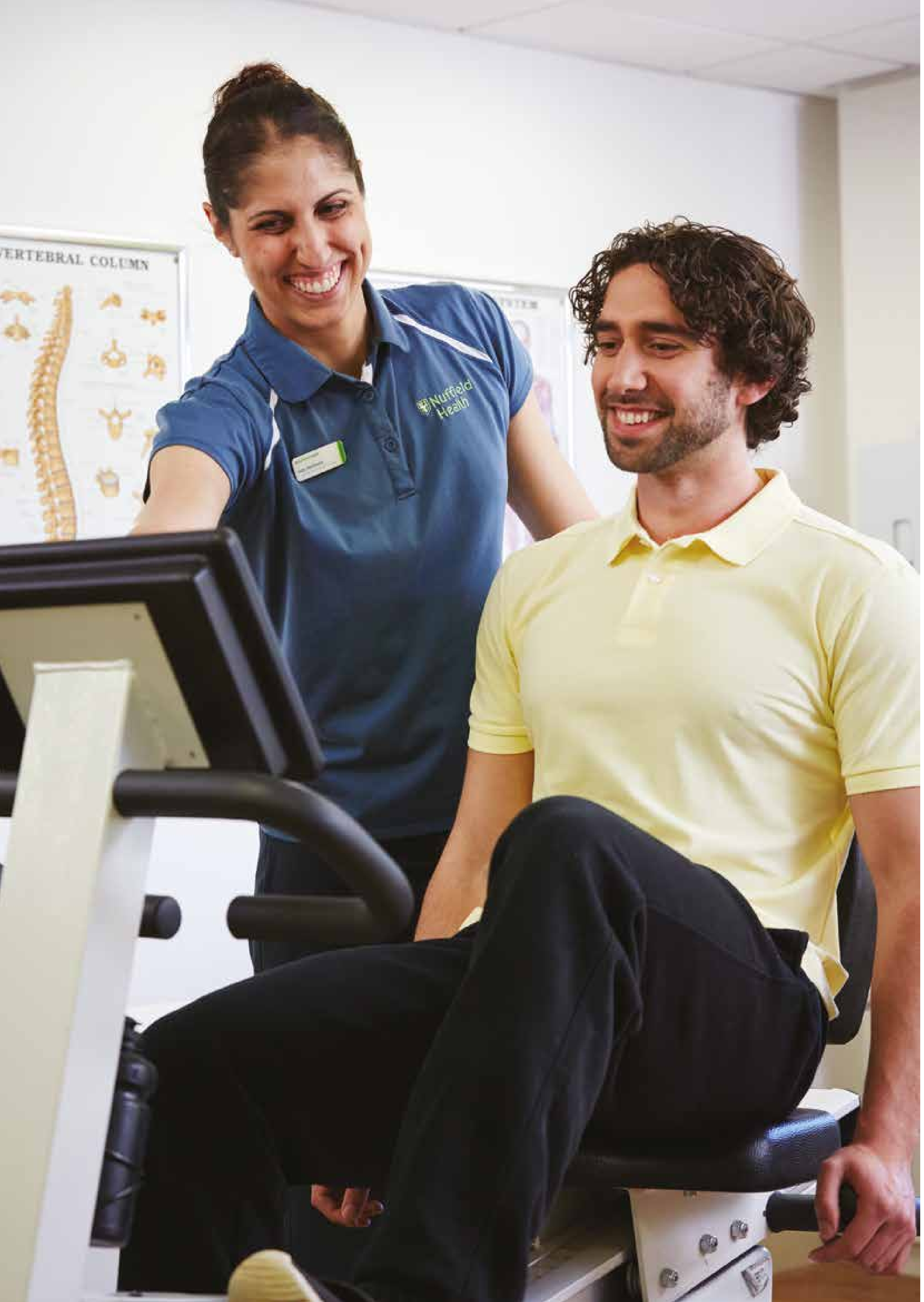
Our ambition is to establish a widely available, not-for-profit healthcare system which offers complete healthcare. Our complete range of health, fitness and wellbeing services unite prevention and cure by delivering the following:

- Prevention of sickness by helping people to become and remain fit and healthy
- Identification, assessment and containment of health risks
- Treatment of health problems

We believe that by charging for our products and services we are best able to broaden and enhance our activities and provide a high quality offering. We also ensure that a substantial percentage of our services are available at a low fee or free at the point of access for those on low incomes. In 2014, 26% of our revenues came from products and services that cost less than £1 per day or were free at the point of delivery.



Strategic Report



Our Activities

In 2014, with over 300 facilities across the UK, 10,000 employees and an income in excess of £700 million, we continued to build a network of services to connect with every aspect of life which contributes to health and wellbeing. By combining our hospitals, clinics, Fitness & Wellbeing Gyms, digital platforms and wide range of treatments, we are further integrating our health and wellbeing services, as we believe helping people to maintain fitness and good health is just as important as the treatment of illness when it occurs.

31
Hospitals

75
Consumer Fitness & Wellbeing Gyms

208
Employee Fitness & Wellbeing Gyms

10,000
Employees

£700m+
Income

Our Activities - Hospitals

We operate 31 hospitals across the UK where we offer a comprehensive range of treatments from minor surgery to open heart surgery and intracranial neurosurgery.

Hospitals account for 70% of Nuffield Health's turnover. Despite 2014 being a challenging year for the industry, hospitals delivered a strong financial performance. Growth was seen across all areas, including insured, NHS and, significantly, double digit growth in the private self-pay market with our hospitals division revenue increasing 9% from 2013 to 2014.

2014 in Hospitals

31
Hospitals

477,000
Patient Visits

198,000
Procedures

55,800
Orthopaedic Procedures
5,000 more than in 2013

59,000
MRI Scans
52,800 in 2013

£600m+
Income

During the year we invested £42m in improving and expanding our hospital facilities:

- Rebuild and refurbishment of Cambridge Hospital
- Opening of a Centre of Excellence for Orthopaedics and Sports Medicine at Wessex Hospital
- Completing the roll out of the latest Picture Archive and Communications System (PACS) and the Computerised Radiology Information System technology (CRIS)
- Improving our diagnostic facilities through MRIs at Bournemouth, Chester and Leicester Hospitals and our CT scanners at Oxford and Bournemouth Hospitals

As leaders in the industry driving for greater transparency for patients, last year we embedded the market-leading self-pay proposition to place healthcare choices firmly in the hands of the patient. The 'Nuffield Health Promise' is unique in independent hospitals; the initiative guarantees fixed and transparent prices for surgical procedures and promises industry leading, lifetime aftercare following surgery in the event of related complications. As a result, we've seen our self-pay business grow significantly over 2014.

With a major focus on strengthening our complete healthcare offering, we launched Recovery Plus, our flagship recovery pathway that combines expertise from both our hospitals and Gyms. Taking place at a Fitness & Wellbeing gym, the free post-operative 12-week rehabilitation programme is for individuals who have undergone surgery at our hospitals and have finished their formal treatment. We believe that the programme helps get patients into even better shape than they were in before they went into hospital. The programme is available for patients who have elective surgery for 27 procedures and by the end of 2014, we offered Recovery Plus in 29 hospitals and 47 associated Fitness & Wellbeing Gyms.

We publish an annual Quality Report, which is available on our website www.nuffieldhealth.com/reports. The report reflects the quality of our health and wellbeing provision and reaffirms the commitment to excellence of everyone in the organisation.

Monitor is the regulator for health services in England. Its job is to protect and promote the interests of patients by ensuring that the whole sector works for their benefit. Following the review required by Monitor, the Trustees are satisfied that from the date that Nuffield Health was granted a licence to the end of the financial year 31 December 2014, Nuffield Health took all such precautions as were necessary in order to comply with Monitor's NHS Provider Licence Standard Conditions. This requires Nuffield Health to have processes and systems to ensure we comply with the conditions of our licence.

Patients continue to give outstanding reviews of Nuffield Health's facilities and quality of service. Consistently high feedback was received throughout the year and in December 2014, 95% of patients were satisfied with their experience.

Our Activities - Wellbeing Services

In 2014 we grew our network to 75 consumer and 208 employee Fitness and Wellbeing Gyms across the country. The acquisition of ten gyms, with six located close to a Nuffield Health Hospital, enables us to support more people with local health and wellbeing services.

The integration of our Fitness and Wellbeing Gyms into a more complete offering has been a key development this year. Membership was stabilised and secondary incomes have continued to grow with cost focus helping to reduce operating costs.

Nuffield Health is firmly established as one of Britain's leading providers of corporate wellbeing solutions. 2014 was a year of consolidation with good revenue growth seen across the business as a whole. However, costs to deliver a more sustainable long term proposition have in some cases outweighed the in-year benefits.

Our approach is bespoke; the employee wellbeing services we provide include health assessments, onsite clinics, in-house GPs, nutritionists, physiotherapy, as well as workplace gyms with fitness mentors. We were awarded the Best Provider of Workplace Wellbeing Services 2014 at the annual Health Insurance Awards for the third year running.

In 2014, close to £15 million was invested in maintaining and developing our gyms including over £1 million in our flagship City gym to upgrade technology, equipment and expertise. During the year, we also saw a further 3 sites acquiring full medical centres encompassing Health Assessments and Primary Care and 74 out of 75 of our consumer gyms offering physiotherapy services on site.

Through the combination of fitness facilities and clinical expertise in our gyms we were able to introduce our Wellbeing Membership. In 2014, Wellbeing members had the highest retention rates of all our memberships' types. The membership provides a personalised assessment of needs, an individual approach to fitness and access to our team of experts, including four Health MOTs each year.

We further embedded digital technology, transforming our Health Assessments in April from a one-off screening to an on-going process. The integration of our Nuffield HealthScore™ app into the assessment ensures that important lifestyle factors are continuously monitored and addressed, by automatically connecting a patient's data to their HealthScore profile and providing a clinically robust tool that supports on-going health journeys anytime, anywhere.

2014 in Wellbeing

75 Consumer Gyms

208 Employee Facilities

316,000 Gym Members

103,000 Health MOTs
with 66% of people improving one aspect of their health

37,000 Registrations for Nuffield HealthScore™ app

We work with over

60% of the FTSE100

40% of the FTSE250

helping to maintain a healthy workforce for 1,600+ businesses

617,000 Physiotherapy Sessions
Up from 139,000 in 2013

Review of Finances

2014 has been a good year for Nuffield Health.

Revenue from continuing activities grew 9% in the year.

EBITDA is £9m (13%) up on 2013.

This enabled high level of investment in our future, capital expenditure in the year was £74 million; supported by the successful refinancing of our bank borrowings and for the first time non-bank financial institutions have invested in the Charity.

The key financial indicators are:

	2014	2013
Group turnover – continuing activities (£m)	710.8	650.2
EBITDA* excluding exceptional items – continuing activities (£m)	80.9	71.7
EBITDA* excluding exceptional items as share of Group turnover - continuing activities	11.4%	11.0%
Total operating surplus excluding exceptional items (£m) – continuing activities	17.2	11.2
Return on capital employed (ROCE)	15.9%	14.9%
Capital expenditure (£m)	73.5	84.0
Leverage (total debt divided by EBITDA excluding exceptionals)	3.2	3.3

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

Trading

The Group returned to a net surplus in 2014; excluding exceptional items it is £1 million compared with a loss of £6 million in 2013. This was due to the improvement in the Hospital Division's performance. The Wellbeing Division has incurred costs in 2014 in order to develop services for future years and integrate ten new Fitness and Wellbeing Gyms. On a central basis the Group has started its brand campaign and increased its other marketing activities. Overall the Group has increased its EBITDA by £9 million and its leverage is low for the sectors it operates in.

The Group's operating surplus for all activities before exceptional items was £17 million (2013 - £12 million). Exceptional items increased operating surplus by £3 million largely due to the reversal of some impairments made against hospitals in previous years.

In 2014, the Hospitals division increased its continuing turnover by £41 million (9%) compared to the previous year. The year has been characterised by a strong growth in NHS (15%) and self-pay (11%) activity and a smaller increase in insured activity. The margins were maintained resulting in EBITDA and operating surplus before exceptionals increasing by £14 million.

The Wellbeing division has increased turnover across all its activities resulting in a £19 million (10%) increase on the prior year of which £7 million is due to the ten new consumer fitness and wellbeing centres. The membership of the consumer gyms has stabilised and secondary incomes continue to grow. The Corporate Wellbeing business has had good revenue growth. However, the costs to improve the propositions and the one-off integration costs of the ten new gyms have outweighed the benefits in the year resulting in a lower operating surplus. After excluding the new gyms and exceptional items EBITDA is in line with last year.

Investment in the Future

The Group continues to invest in its future. Capital projects of particular note are the completion of the extensions and refurbishment of new MRIs or CTs at Bournemouth, Chester, Leicester and Oxford, investment in ten new consumer sites, commencing the building for the new Cambridge Hospital, the purchase of the land for the integrated Hospital and Wellbeing site for Manchester and the continued improvement and expansion of our digital presence.

These investments are aimed at improving the patients', customers' and consultants' experience by increasing the services available, making it simpler for them to deal with us, creating a more pleasant environment or modernising the equipment.

Valuations and Fixed Assets

The GVA Grimley LLP valuation of the hospital sites in October 2014 showed that the value has increased by £97 million to £940 million, compared with the previous valuation carried out in 2011. The current valuation shows that these assets are £620 million greater than the historic carrying value of the assets in the financial statements.

Following the revaluation, £3 million of previous impairments of Hospitals were reversed in the year. There was no change to the previous years' impairments of the Fitness & Wellbeing Gyms.

The Group is growing its digital presence and part of this strategy involves improving and upgrading our current systems, which has resulted in some software being replaced. In total the exceptional charges to the financial statements for these items are £1 million of which half was replaced in 2014 and is shown as a loss on the disposal of tangible fixed assets and the rest will be replaced in 2015 and therefore the depreciation charge is increased.

Refinancing

The Group refinanced its bank borrowings a year earlier than necessary in order to gain certainty and obtain finance to support the development of its strategy. For the first time two non-bank financial institutions funded the Charity; £55 million for 10 years and £45 million for 12 years. Our banking group also recognised Nuffield Health's financial strength by lending on a seven-year term. Together the loan facilities have increased by £60 million to £330 million.

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 group risk management section and note 25 outline the Group's objectives, policies and processes for managing its financial risks and details its financial instruments and hedging activities.

The Charity and Group meet day-to-day financing needs through internal cash generation supported by medium-term borrowings; the unused facility at the end of 2014 is £93 million. 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.

Reserves

The Board 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 Group's cash flow. The Board assesses the Group's medium-term cash flow and thereby its requirements for free income reserves on a regular basis. The Group 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 £93 million of unutilised bank facilities and £14 million of cash.

The unrestricted funds of the Group are invested principally in the fixed assets that are used to provide services in pursuit of the objectives of the Group. The working capital and some of the fixed assets of the Group have been used as security for medium-term borrowings.

The Group 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.

Donations and Bequests

Donations and bequests amounting to £0.1 million were received during the year. The Trustees would like to express their thanks to donors and their representatives.

Risk Management

Overall Approach

It is the responsibility of the Board of Trustees to establish the risk management structure, policy and strategy for the Group as a whole. In addition, the Board of Trustees review the high level risks to the Group using six domains, Strategic, Financial, Operational, Quality & Safety, Legal, Regulatory and Contractual and Reputational.

Nuffield Health takes a continual systematic approach to all risk assessments using an integrated risk management framework which identifies risks, assesses and prioritises risks, develops effective controls and counter measures, monitors risks, provides assurance mechanisms, creates risk registers and undertakes training needs analysis.

The Board of Trustees as a whole considers strategic risks on a regular basis and two committees of the Board have been established to specifically cover clinical and health and safety risks (the Board Quality & Safety Committee) and commercial risk and financial controls (the Audit Committee).

Risks are identified at Group, divisional, functional and individual facility level with risk assessments created by individuals, groups, questionnaires, inspections, near miss reporting and incident reporting.

Risks are identified and prioritised based on the likelihood of an event occurring and the impact of that event should it happen. All risks identified are then recorded on relevant risk registers at either Group, divisional, functional or local level and these are informally reviewed on a continuous basis and formally reviewed at least twice a year. Controls and counter measures are also identified for each risk to either reduce the impact or probability of the risk, accept the risk and monitor changes in impact or probability, accept the risk and implement a contingency plan, transfer the risk to a third party or eliminate the risk by stopping the activity.

In September 2014 the Trustees considered the Group's overall approach to risk and approved an updated Risk Management Strategy. The introduction of greater automation and alignment in the risk reporting environment will provide greater assurance of "Board to Ward to Board" governance assurance and the control of risk throughout the Group.

Group Level Risks

The largest risks identified on the Board level risk register following the implementation of mitigating actions and controls are:

The risk that economic recovery is not sustained or becomes protracted which is mitigated by ongoing monthly business reviews and clear capital rationing and other cost containment measures as required.

The risk that NHS policy changes exclude independent providers which is mitigated by the implementation of the Groups five year plan, increased overall hospital efficiency and ensuring there is not too great a reliance on NHS work at any one site.

The risk that low cost gyms will polarize the market and threaten full service providers which is mitigated by Nuffield Health's differential health and wellbeing offering and brand investment.

The risk that a leading consumer or healthcare brand leverages their brand into the wellbeing and self-pay space which is mitigated by ongoing investment in the Nuffield Health brand, by ensuring a national network of physical assets and by investment in internal leadership programs.

Serious clinical incident. A major clinical event could have a serious impact on the reputation of Nuffield Health and clinical and health and safety risks are reported in more detail in the Group's Annual Quality Report.

Other Risks

In addition the following risks exist although these are not sufficiently material to warrant inclusion on the Board level risk register due to the mitigating actions or controls already in place:

Credit risk

Credit risk arises from deposits and derivative financial instruments with banks and trade debtors. The credit risk relating to banks is managed centrally within the parameters set by the Board of Trustees which restricts the counterparty banks and the exposure to each bank. The risk from trade debtors is considered low, with the values in the balance sheet being presented after an allowance for doubtful debts.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities. The Group subjects its cash flow forecasts to stress tests to assess the risk of a major cash shortfall or breaches of covenants. 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. At the end of 2014 there were £93 million of unutilised bank loan facilities and £14 million of cash.

The Group refinanced its loan facilities in the year, increasing the total medium-term facilities by £60 million. The available facilities are bank loans £230 million, repayable in October 2021; £100 million secured loan notes, £55 million repayable in October 2024 and £45 million in December 2026; and stakeholder bond £18.7 million repayable July 2018.

Interest rate risk

The Group is exposed to fluctuations in the interest rate. The 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, and an element of fixed rate borrowing.

27 May 2015
The Strategic Report to the Members approved by the Board of Trustees

Russell Hardy
Chairman of the
Board of Trustees

Report of the Board of Trustees

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 focused 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.

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.

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 fulfill 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 2015 that will further enhance the accessibility of the Charity's activities, particularly in relation to services available for young people at low cost or free at the point of access.

In 2014, 26% of our revenues came from low cost or free at the point of delivery products and services. With 8% from products and services costing customers less than £1 per day, 18% of our revenues at market rates were from products and services free at the point of delivery to the patient or customer that were purchased by the NHS.

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.

Fourteen 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 for 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. The following senior staff were in place at the date when the Annual Report and Financial Statements were approved, or served during the financial year.

Mr David Mobbs
Group Chief Executive

Mr K P Doyle
Deputy Group Chief Executive & Managing Director Hospitals
from 1 February 2014

Mr Greg Hyatt
Chief Financial Officer

Dr Andrew Jones
Managing Director, Wellbeing

Mr Marcus Powell
Group Organisation Development and Human Resources Director

Mr Ian Smyth
Group Chief Brand Officer

Ms Rebecca McCheyne
Group Director of Digital Services

Mr Luke Talbutt
Group General Counsel and Company Secretary

Ms Patricia Lee
Chief Executive, Hospitals Division
until 31 January 2014

Dr Rubin Minhas
Group Medical and Scientific Director
until 31 January 2014

Executive Remuneration

Nuffield Health is one of the UK's leading not-for-profit healthcare organisations, employing some 10,000 people in a wide range of roles in hospitals, physiotherapy, health assessments and gyms. We are committed to being an employer of choice, able to attract and retain talented people who will deliver superior and sustained performance and meet our charitable objectives. We aim to meet the highest standards in everything that we do, and our values govern how we reward our employees. Our pay practices are fair and equitable, and are linked to both group and individual performance. All our employees enjoy the same group wide benefits package designed to support and enhance personal wellbeing and to help them to be well, feel well and stay well.

Remuneration for all senior executives, including the Chief Executive, is determined by the Executive Remuneration and Succession Committee, under delegated authority from Nuffield Health's Board of Trustees. It is our policy that total remuneration packages, comprising base salary, pension contributions, performance based annual bonus and group wide employee benefits, should be competitive whilst also reflecting the organisation's charitable status.

To this end, the Committee conducts an annual independent review of executive remuneration, focusing largely on the general commercial sector from which most executive talent is recruited. In addition to this survey of commercial organisations of a similar scale to Nuffield Health, the Committee also reviews available information from the health and wellbeing and the not-for-profit sectors, and then seeks to set total compensation in line with the market median, discounted to reflect charitable status.

Our People

Nuffield Health has pioneered a new approach to employee wellbeing which has cemented our reputation as a market leader in the sectors we operate. We believe that helping our employees look after their wellbeing in the workplace is fundamental.

We have a deep and enduring belief that by helping our employees look after their wellbeing we strengthen our ability to deliver services to our clients with authenticity and credibility. We want to offer the best possible care – and that means combining the best facilities with the best people.

In order to get the best from people, we believe we must look after them and treat them well. That means giving them the means to take control of their own health and encouraging a healthy lifestyle. All our staff can benefit from the employee healthcare scheme, free gym membership, Nuffield HealthScore™, our cycle to work scheme, time off to care, nutritious workplace meals, physiotherapy and flexible working when they need it.

Nuffield Health is a values driven organisation that believes we should strive to do the right thing for our clients, patients and members, as well as our employees. Central to this is strong and value driven leadership. We have always believed this and invested heavily in developing leadership skills at every level of the organisation. In 2014, 165 leaders from across the business attended our 'Brand Leadership' course. The focus of this is to highlight what is different about values driven leadership and why it is important we develop leaders who have the capacity to take the lead and do the right thing in whatever context they find themselves.

We understand the importance of investing in our people and encourage training and career development, at every opportunity. The Nuffield Health Academy, our in-house training facility, offers a variety of training from coaching to fitness to brand courses.

An example of our commitment is the help we give fitness and wellbeing advisors to 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 expect the cost of training to be borne by the individual.

In the past twelve months, physiotherapists have benefitted from the creation of the new Physiotherapy Academy. The in-house Centre of Excellence for physiotherapy practice offers a range of courses, from specialist skills, to leadership and management development.

We believe in the benefits of empowering all our staff. For example, staff at our Contact Centres deal with over 300,000 calls a year and it's important that we achieve a high standard not only in delivering customer service but that the people who deliver it are happy and motivated. We encourage personal development of all our employees and in 2014, 77% of the leavers from the contact centre joined other areas of the business. We are ahead of the majority of Contact Centres in implementing a home-working model of such significant size and scope, resulting in positive improvements in productivity and quality.

2015 will see the Academy welcoming physiotherapists from outside of Nuffield Health. As we continue to grow, the Academy will become integral to supporting our physiotherapists develop their skills and knowledge to deliver an exceptional service to all our patients.

We have existed as a not-for-profit organisation for over fifty years now and we continue to believe that commercial gain can never come before clinical need. In 2014 we signed up the RCN's Speak Out Safely campaign. We take our regulations and clinical standards very seriously and encourage everyone – not just nurses – to tell us straightaway if they see something that's not right, or even if they can simply see a better way of doing things.

In 2014 a group of young people with long-term health issues joined us on a five-week work experience programme. They proved so good that they all stayed with us for six months – and 75% subsequently gained employment at Nuffield Health.

We have also signed up several apprentices, giving them that all-important first step into their chosen careers. This year we plan to expand these programmes, recruiting more apprentices and offering more than 100 work placements throughout the organisation.

We have 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.

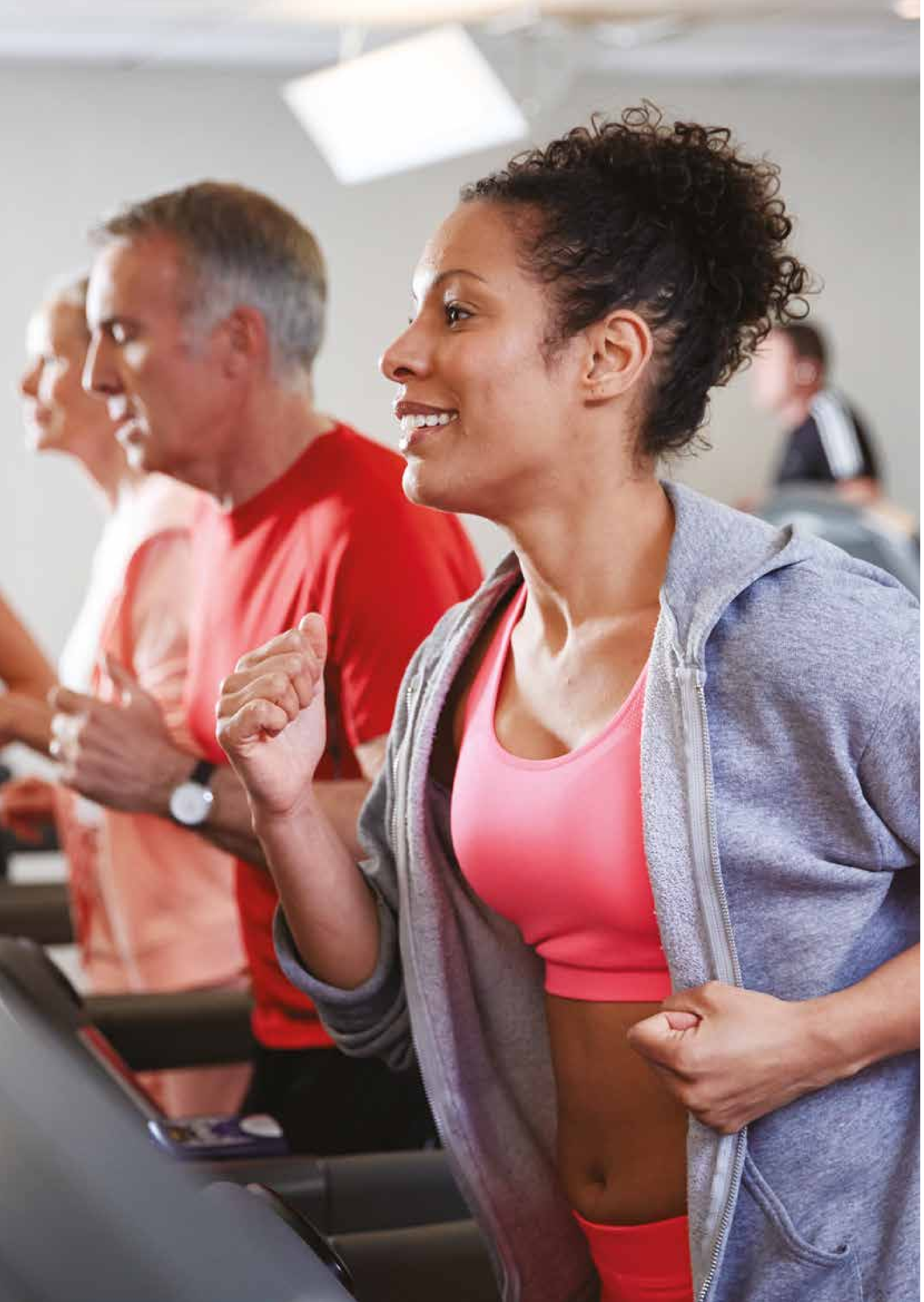
It's important to us that we keep our people updated on developments within the organisation, encouraging them to be involved in the day-to-day running of the services we provide. In late 2013 we invested in a new 'extranet' designed to improve the interaction and dialogue between employees. In 2014 we shared over 200 stories from across the organisation and launched Yammer, our internal social network, where employees can share news instantly, anytime, anywhere. Sharing content and news has never been quicker and easier for our people.

Being environmentally responsible is an important aspiration for Nuffield Health. We will focus on improving sustainability and protecting the environment, and strive, over the next 5-10 years, to make the organisation significantly more energy efficient. Being inefficient in the way we use energy causes excess greenhouse gas emissions, contributes to air pollution and is not sustainable for the health and wellbeing of the nation and the sustainability of our planet.

Between 2015 and 2020 Nuffield Health will embark on a new programme of operational excellence in how we source, manage and use our energy resources. We have set ourselves an aspirational target of reducing energy consumption by 25% by 2020.

To achieve this ambitious target the organisation will be embarking on a series of energy reduction initiatives, many of which are already underway, including:

- Improving energy awareness and encouraging behaviour change
- Reviewing operational best practice and developing energy efficient standard operating processes
- Investing in cost-effective, proven, energy-saving technology, such as LED lighting, Solar, and Combined Heat and Power schemes



Governance

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; member of the Executive Remuneration and Succession Committee; member of the Trustees' Remuneration Committee, member of the Audit Committee; member of the Finance and Investment Committee; chair of the Nominations Committee; chair of the Nuffield Health Pension & Life Assurance Scheme.

Mrs Joanne M Shaw
Deputy Chair; Chair of the Board Quality & Safety Committee; member of the Nominations Committee

Mr Martin W Bryant
Chair of the Finance and Investment Committee; member of the Audit Committee;

Ms Fiona E Driscoll
Chair of the Audit Committee; member of the Executive Remuneration and Succession Committee; member of the Finance and Investment Committee.

Dame Denise M Holt
Member of the Board Quality & Safety Committee

Mr David W Lister
Member of the Board Quality & Safety Committee

Mr P Guy McCracken LVO
Chairman of the Executive Remuneration and Succession Committee; member of the Nominations Committee; member of the Finance and Investment Committee.

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 33. Amounts paid during 2014 are set out in Note 11 of the Financial Statements.

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 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 Quality & Safety Committee. The Audit Committee also recommends the appointment of the external and internal auditors.

Board Quality & Safety Committee

The Board Quality & Safety 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 General Counsel & Company Secretary, Hospital Medical Director, Chief Nurse, Wellbeing Medical Director, Group Quality Director, Group Health, Safety & Environmental Director attend the Committee's meetings.

Each year, the Committee publishes an annual Quality Report, which includes the outcomes of the various elements of the safety and quality programmes in place across all services provided by Nuffield Health.

Finance and Investment Committee

The Finance and Investment Committee will meet at least four times each year. The committee is responsible for reviewing significant financial investments or proposals on behalf of the Board of Trustees. The Group Chief Executive and Chief Financial Officer attend the Committee's meetings.

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 financial statements are prepared 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, theTrustees 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.

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

Santander UK plc
2 Triton Square
Regent's Place
London NW1 3AN

Siemens Bank GmbH
Bavaria House
13-14 Appold Street
London EC2A 2NB

Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

HSBC Bank plc
HSBC House
Mitchell Way
Southampton SO18 2XU

Property Adviser
GVA Grimley LLP
3 Brindleyplace
Birmingham B1 2JB

Pension & Remuneration Adviser
Mercer Ltd
Riverside Court
Guildford Road
Leatherhead
Surrey KT22 9DF

Appointment of Auditor

Grant Thornton UK LLP offer themselves for reappointment as Auditor 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 2015.

27 May 2015
The Report of the Board of Trustees to the Members approved by the Board of Trustees

Russell Hardy
Chairman of the
Board of Trustees

Mr Douglas Gardner'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 2014, the members of the Committee were Lady Forester, Mr Michael Smith and myself, as Chairman. The Secretary of the Committee is Mr Luke Talbutt, General Counsel & Company Secretary of Nuffield Health.

The Committee met on 3 December 2014 to consider the remuneration of the Trustees, to take effect from 1 January 2015. 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 to maintain the current levels of Trustee remuneration.

The current remuneration paid to each Trustee and the remuneration proposed to be paid from 1 January 2015 is therefore as stated below:

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

The Committee had previously agreed to conduct an external appraisal of the Trustees every two years and therefore agreed with the proposal for 2015 that CV4 Consulting Limited be appointed to conduct an overall governance and appraisal review for the Charity.

Mr David Lister was appointed as a new Trustee for the Charity on 15 January 2014 and that Mrs Joanne Shaw had been appointed as the new Deputy Chair of the Charity and Chair of the Board Quality & Safety Committee (formerly the Board Integrated Governance Committee) following the retirement of Ms Jane Wesson.

Finally, I would like to thank Lady Forester and Mr Michael Smith for their 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.

Mr Douglas Gardner
Chairman: Trustees' Remuneration Committee

Independent Auditor's Report to the Members and Trustees of Nuffield Health

We have audited the financial statements of Nuffield Health for the year ended 31 December 2014 which comprise the consolidated income and expenditure account, the consolidated statement of financial activities, the balance sheet, 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 30, 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 Financial Reporting Council's website at:
www.frc.org.uk/auditscopeukprivate.

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 2014 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 including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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
27 May 2015

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

Company Number	00576970
Charity Number in England and Wales	205533
Charity Number in Scotland	SC041793

Financial Statements

Consolidated Income and Expenditure Account -
For the year ended 31 December 2014

	Note	2014 Total £m	Continuing £m	Discontinued £m	2013 Total £m
Turnover		710.8	650.2	4.2	654.4
Cost of services					
Normal	2	(671.7)	(622.3)	(3.2)	(625.5)
Exceptional	5	3.2	(30.4)	-	(30.4)
Gross surplus/(deficit)		42.3	(2.5)	1.0	(1.5)
Support and governance costs					
Normal	3	(21.9)	(16.7)	-	(16.7)
Exceptional	5	(0.5)	(2.6)	-	(2.6)
Group operating surplus/(deficit)		19.9	(21.8)	1.0	(20.8)
Share of operating losses of associates	19	-	-	(1.8)	(1.8)
Total operating surplus/(deficit)		19.9	(21.8)	(0.8)	(22.6)
Surplus on sale of businesses	7	-	-	6.3	6.3
(Loss)/surplus on disposal of tangible fixed assets	7	(0.5)	0.4	-	0.4
Surplus/(deficit) before interest and tax		19.4	(21.4)	5.5	(15.9)
Net interest payable and similar income	8	(16.4)			(16.3)
Surplus/(deficit) on ordinary activities before taxation		3.0			(32.2)
Tax on surplus/(deficit) on ordinary activities	13	(0.2)			-
Retained surplus/(deficit) for the financial year		2.8			(32.2)

Consolidated Statement of Financial Activities -
For the year ended 31 December 2014

	Note	Permanent endowment £m	Restricted £m	Unrestricted £m	2014 Total £m	2013 Total £m
Incoming resources						
Incoming resources from generated funds						
Donations, gifts and legacies		-	0.1	-	0.1	0.1
Investment income	8	-	-	0.3	0.3	0.5
Incoming resources from charitable activities						
Services to patients and others						
Continuing		-	-	710.7	710.7	650.1
Discontinued		-	-	-		4.2
Other incoming resources						
Surplus on disposal businesses	7	-	-	-	-	6.3
Surplus on disposal of tangible fixed assets	7	-	-	-	-	0.4
Total incoming resources		-	0.1	711.0	711.1	661.6
Resources expended						
Charitable activities						
Normal						
Continuing	2	-	-	(691.1)	(691.1)	(636.3)
Discontinued	2	-	-	-	-	(3.2)
Exceptional - continuing	5	-	-	2.7	2.7	(33.0)
Post retirement finance expense	8 and 9	-	-	(0.6)	(0.6)	(1.9)
Governance costs	3	-	-	(2.5)	(2.5)	(2.7)
Other resources expended						
Loss on disposal of tangible fixed assets	7	-	-	(0.5)	(0.5)	-
Interest payable	8	-	-	(16.1)	(16.1)	(14.9)
Taxation	13	-	-	(0.2)	(0.2)	-
Total resources expended		-	-	(708.3)	(708.3)	(692.0)
Net incoming resources		-	0.1	2.7	2.8	(30.4)
Share of associate's net losses - discontinued	19	-	-	-	-	(1.8)
Net incoming resources before other recognised gains and losses		-	0.1	2.7	2.8	(32.2)
Transfers between funds		-	(0.6)	0.6	-	-
Other recognised gains and losses						
Actuarial gains/(losses) on defined benefit retirement scheme	9	-	-	(24.6)	(24.6)	8.9
Net movement in funds		-	(0.5)	(21.3)	(21.8)	(22.3)
Fund balances at 1 January		0.1	1.3	116.2	117.6	140.9
Fund balances at 31 December	28	0.1	0.8	94.9	95.8	117.6

Balance Sheets -
at 31 December 2014

	Note	Group 2014 £m	Group 2013 £m	Charity 2014 £m	Charity 2013 £m
Fixed assets					
Intangible assets	15	21.4	21.7	22.2	23.7
Tangible assets	16	487.0	469.3	476.8	460.3
Investments	18	0.2	0.2	15.9	18.3
		508.6	491.2	514.9	502.3
Current assets					
Stocks	20	7.5	7.4	7.5	7.4
Debtors	21	72.7	73.0	79.2	78.8
Cash at bank and in hand		13.8	12.7	13.1	12.6
		94.0	93.1	99.8	98.8
Creditors: amounts falling due within one year	22	(136.0)	(132.7)	(145.5)	(141.8)
Net current liabilities		(42.0)	(39.6)	(45.7)	(43.0)
Total assets less current liabilities		466.6	451.6	469.2	459.3
Creditors: amounts falling due after more than one year	23	(246.4)	(232.8)	(246.4)	(232.6)
Provisions for liabilities	26	(14.9)	(9.5)	(12.8)	(7.3)
Net assets excluding post retirement liability		205.3	209.3	210.0	219.4
Post retirement defined benefit liability	9	(109.5)	(91.7)	(109.5)	(91.7)
Net assets		95.8	117.6	100.5	127.7
Income funds					
Restricted funds	28	0.8	1.3	0.8	1.3
Unrestricted funds:					
General fund	28	204.4	207.9	209.1	218.0
Post retirement reserve	28	(109.5)	(91.7)	(109.5)	(91.7)
Total unrestricted funds	28	94.9	116.2	99.6	126.3
Total income funds		95.7	117.5	100.4	127.6
Permanent endowment	27 and 28	0.1	0.1	0.1	0.1
Group funds		95.8	117.6	100.5	127.7

Approved by the Board of Trustees on 27 May 2015

Russell Hardy – Chairman

David Mobbs – Group Chief Executive

Consolidated Cash Flow Statement -
For the year ended 31 December 2014

	Note	2014 £m	2014 £m	2013 £m	2013 £m
Net cash inflow from operating activities					
Normal	29	82.8		68.1	
Exceptional	29	(1.4)		(2.5)	
			81.4		65.6
Net cash outflow from returns on investments and servicing of finance	30		(30.9)		(14.0)
Capital expenditure and financial investment					
Net purchase of tangible fixed assets	31	(73.9)		(70.2)	
Increase in loans to associate	19	-		(2.8)	
Receipts from exceptional disposal of tangible fixed assets	31	0.8		3.8	
Net cash outflow from capital expenditure and financial investment			(73.1)		(69.2)
Acquisitions and disposals					
Payment to acquire subsidiary undertakings	32	(0.5)		(6.8)	
Receipt from sale of subsidiary	32	4.0		25.4	
Net cash inflow from acquisitions and disposals			3.5		18.6
Cash (outflow)/inflow before financing			(19.1)		1.0
Financing	33		20.2		(5.5)
Increase/(decrease) in cash for the financial year	34		1.1		(4.5)

Reconciliation of net cash flow to movement in net debt

	Note	2014 £m	2013 £m
Increase/(decrease) in cash for the financial year		1.1	(4.5)
Cash inflow/(outflow) from changes in debt and lease finance	33	(20.2)	5.5
Change in net debt resulting from cash flows	34	(19.1)	1.0
New finance leases	34	(0.9)	(0.5)
Movement in net debt in the financial year		(20.0)	0.5
Net debt at 1 January	34	(228.5)	(229.0)
Net debt at 31 December	34	(248.5)	(228.5)

Accounting Policies -
For the year ended 31 December 2014

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 medium term borrowings. The available facilities at 31 December 2014 are bank loans £230m, of which £137m is drawn, that is repayable in October 2021; fully drawn secured loan notes, of which £55m is repayable in October 2024 and £45m in December 2026; and fully drawn stakeholder bond £19m repayable July 2018. The unused facilities at 31 December 2014 are £93m.

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 from the date of this report 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 2014. 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 conditions, 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 comprises the value of services and goods supplied by the Group after deducting discounts and excluding value added tax. These are:

i) income from the Hospital and Wellbeing's clinical activities that are recognised when the treatment or good is provided;

ii) Wellbeing membership income that is recognised evenly over the membership period. Joining fees, which are non-refundable, are recognised when received. Secondary income, including those from food and beverages and personal training, are recognised when delivered; and

iii) income from management contracts for wellbeing services to employees, which are accounted on an accruals basis over the period that the service and price is agreed.

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

Donations and gifts are accounted for at time of receipt.

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.

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

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 central office costs and as such are indirect costs incurred in supporting the charitable activities. Governance costs comprise the expenditure associated with the strategic management of the Group and compliance with constitutional and statutory requirements. Where departments undertake support and governance activities the costs are apportioned using an estimate of the time spent on each activity.

f) Exceptional items

Exceptional items are events or transactions that are undertaken as part of Group's ordinary activities which individually or if of a similar type in aggregate needs to be disclosed by virtue of their size or incidence 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.

The surplus or loss of buying out or renegotiating terms of interest rate derivatives are spread over the period of the original contracts provided the underlying loans remain in existence at the end of a financial year end otherwise they are credited or charged to the consolidated statement of financial activities and the consolidated income and expenditure account.

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 estimated 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	2014 Total £m	Hospital services £m	Wellbeing services £m	Central & other £m	2013 Total £m
Incoming resources from generated funds								
Donations, gifts and legacies	-	-	0.1	0.1	-	-	0.1	0.1
Investment income	-	-	0.3	0.3	-	-	0.5	0.5
Incoming resources from charitable activities								
Normal								
Including inter-company								
Continuing	497.5	224.0	-	721.5	456.6	204.5	-	661.1
Discontinuing	-	-	-	-	4.2	-	-	4.2
Inter-company	-	-	(10.8)	(10.8)	-	-	(11.0)	(11.0)
	497.5	224.0	(10.4)	711.1	460.8	204.5	(10.4)	654.9
Other incoming resources								
Surplus on disposal of business								
Discontinuing	-	-	-	-	6.6	-	(0.3)	6.3
Surplus on disposal of tangible fixed assets								
Continuing	-	-	-	-	0.4	-	-	0.4
Total incoming resources	497.5	224.0	(10.4)	711.1	467.8	204.5	(10.7)	661.6
Resources expended Charitable activities								
Normal								
Including inter-company								
Continuing	(448.8)	(233.7)	(19.4)	(701.9)	(421.9)	(211.4)	(14.0)	(647.3)
Discontinuing	-	-	-	-	(3.2)	-	-	(3.2)
Inter-company	-	-	10.8	10.8	-	-	11.0	11.0
	(448.8)	(233.7)	(8.6)	(691.1)	(425.1)	(211.4)	(3.0)	(639.5)
Exceptional - continued	3.0	0.2	(0.5)	2.7	(5.8)	(24.6)	(2.6)	(33.0)
Retirement finance expenses	-	-	(0.6)	(0.6)	-	-	(1.9)	(1.9)
Governance costs	-	-	(2.5)	(2.5)	-	-	(2.7)	(2.7)
Loss on disposal of fixed assets	-	-	(0.5)	(0.5)	-	-	-	-
Interest payable	-	-	(16.1)	(16.1)	-	-	(14.9)	(14.9)
Taxation	-	(0.2)	-	(0.2)	(0.2)	0.2	-	-
Total resources expended	(445.8)	(233.7)	(28.8)	(708.3)	(431.1)	(235.8)	(25.1)	(692.0)
Net incoming resources	51.7	(9.7)	(39.2)	2.8	36.7	(31.3)	(35.8)	(30.4)
Share of associates net losses	-	-	-	-	-	-	(1.8)	(1.8)
Net resources incoming before transfer of funds	51.7	(9.7)	(39.2)	2.8	36.7	(31.3)	(37.6)	(32.2)
Net assets	316.7	122.0	(342.9)	95.8	310.7	119.9	(313.0)	117.6
Staff numbers (WTE)	4,226	2,866	100	7,192	4,082	2,733	111	6,926

2 Resources expended charitable activities

	Direct activities 2014 £m	Direct activities 2013 £m	Support costs 2014 £m	Support costs 2013 £m	Total 2014 £m	Total 2013 £m
Continuing activities						
Normal						
Staff and related costs	214.2	197.7	34.5	29.2	248.7	226.9
Third party fees	132.2	118.6	-	-	132.2	118.6
Supply costs	104.0	92.3	-	-	104.0	92.3
Depreciation and amortisation	54.3	52.9	9.3	7.7	63.6	60.6
Other costs	112.1	111.4	30.5	26.5	142.6	137.9
	616.8	572.9	74.3	63.4	691.1	636.3
Support costs transferred to direct activities	54.9	49.4	(54.9)	(49.4)	-	-
After recharge	671.7	622.3	19.4	14.0	691.1	636.3
Exceptional						
Staff and related costs	(0.2)	2.3	(0.1)	0.8	(0.3)	3.1
Depreciation and amortisation	(3.0)	28.1	0.6	0.7	(2.4)	28.8
Other costs	-	-	-	1.1	-	1.1
Total exceptional	(3.2)	30.4	0.5	2.6	(2.7)	33.0
Total resources expended charitable activities continuing activities	668.5	652.7	19.9	16.6	688.4	669.3
Discontinued activities						
Normal						
Staff and related costs	-	0.7	-	-	-	0.7
Third party fees	-	1.8	-	-	-	1.8
Supply costs	-	0.2	-	-	-	0.2
Depreciation and amortisation	-	0.5	-	-	-	0.5
	-	3.2	-	-	-	3.2
Total resources expended charitable activities	668.5	655.9	19.9	16.6	688.4	672.5

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

	2014 £m	2013 £m
Normal		
Governance		
Staff and related costs	1.7	1.8
Depreciation	0.1	-
Other costs	0.7	0.9
	2.5	2.7
Support costs normal (note 2)	19.4	14.0
Total support and governance - normal	21.9	16.7
Exceptional support costs (note 5)	0.5	2.6
Total support and governance	22.4	19.3

4 Discontinued activities

The discontinued businesses are the subsidiary Medica Reporting Ltd that was sold on 2 May 2013 and our associate dacadoo ag (formerly Quentiq AG) we disposed of on 8 November 2013.

5 Exceptional items

Tangible fixed assets were impaired in prior years, the follow up reviews in 2014 resulted in a reversal of the impairments of £3.0m (2013 – charge £4.6m) in the Hospital Division and Wellbeing Centres of £nil (2013 – charge £23.5m).

The streamlining of Wellbeing management and central costs and the operational costs of the Hospitals have resulted in unusual reorganisation costs which were expensed as an exceptional item in 2013. The over-estimate costs in 2013 were reversed in 2014.

The move to the new central office in Epsom has resulted in costs, such as lease break fees and disposal of fixed assets at the old office, that would not have been incurred if the move had not happened. These costs were treated as exceptional items in 2013.

The review of the digital presence has resulted in shortening of asset lives and early disposal of software as the systems are improved. The disposal element is accounted for in loss on disposal of tangible fixed assets (note7).

The exceptional (gains)/costs are:

	2014 £m	2013 £m
Cost of services		
(Reversal)/increase of impairment of tangible fixed assets	(3.0)	28.1
Reorganisation costs	(0.2)	2.3
	(3.2)	30.4
Support costs		
Digital assets	0.6	-
Reorganisation costs	(0.1)	0.8
Central office move	-	1.8
	0.5	2.6
Total charitable activities	(2.7)	33.0

6 Operating surplus

	2014 £m	2013 £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	-
Total fees to the company's auditor	0.4	0.4

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

	2014 £m	2013 £m
Depreciation on tangible fixed assets:		
On owned assets	54.2	52.1
On assets held under finance leases and hire purchase contracts for equipment and motor vehicles	3.1	3.7
Depreciation charge	57.3	55.8
Loss on disposal of tangible fixed assets	1.0	0.6
Normal depreciation	58.3	56.4
Exceptional depreciation charge on change of life on some digital assets	0.6	-
	58.9	56.4
(Reversal)/increase of impairment of tangible fixed assets	(3.0)	28.1
Exceptional charge on central office move	-	0.7
	55.9	85.2
Operating surplus stated after charging or crediting:		
Amortisation of goodwill of subsidiaries (note 15)	5.4	4.7
Hire of plant and machinery (including operating lease charges)	5.3	7.0
Property operating lease rentals	33.8	32.3
Rental income from operating leases	0.3	0.5
Third party indemnity insurance	1.3	1.4

Indemnity insurance for the Trustees and officers amounted to £17,000 (2013 - £14,000).

7 Exceptional items reported after operating surplus

	2014 Total £m	2013 Total £m
Surplus on disposals of business		
Surplus on disposal of subsidiary company	-	6.6
Deficit on disposal of associate company	-	(0.3)
	-	6.3
(Deficit)/surplus on disposal of tangible fixed assets	(0.5)	0.4
	(0.5)	6.7

The surplus on disposal of subsidiary company in 2013 arises from the strategic decision to exit the market for teleradiology that was served by Medica Reporting Ltd.

The deficit on disposal of associate company results from selling the Group's interest in dacadoo ag in exchange for perpetual licences for the Healthscore software.

The deficit on disposal of tangible fixed assets in 2014 relates to the disposal of software following the review of the digital assets and the 2013 surplus is the result of the sale of non-core property sales.

8 Net interest payable and similar income

	2014 £m	2013 £m
Group interest receivable	0.3	0.5
Interest payable		
Bank loans and overdraft	(10.1)	(12.3)
Deferred interest rate derivative costs	(1.4)	-
Senior secured loan notes	(1.2)	-
Stakeholder bond	(1.1)	(0.6)
Finance charges in respect of finance leases	(0.2)	(0.4)
Unwinding of discounting on purchase of subsidiaries	(0.2)	(0.3)
Total interest payable	(14.2)	(13.6)
Costs in connection with loan facilities	(1.7)	(1.1)
Costs in connection with the stakeholder bond	(0.2)	(0.2)
	(16.1)	(14.9)
Retirement benefit finance costs	(0.6)	(1.9)
Total interest payable	(16.7)	(16.8)
Group net interest payable and similar income	(16.4)	(16.3)

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 £7.8m (2013 - £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 £0.6m which was projected at the time of the full valuation to recover the deficit within ten years. The pension deficit has increased since that date, largely due to reductions in the discount rate, which may increase the recovery period.

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 2014. 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 2014.

The main FRS 17 assumptions are:

	2014 %pa	2013 %pa
Rate of increase in medical inflation	4.1%	4.4%
Rate of increase for pensions in payment pre 1 August 2005 service	3.4%	3.5%
Rate of increase for pensions in payment post 31 July 2005 service	2.1%	2.2%
Rate of increase for deferred pensions	2.1%	2.4%
Discount rate (yield curve basis)	3.7%	4.6%
Inflation rate (CPI)	2.1%	2.4%

The post retirement mortality assumptions used to value the benefit obligation at 31 December 2014 and 31 December 2013 are based on the mortality tables S1NM/FA mc. Assumed life expectancies on retirement age at 65 are:

		2014	2013
Retiring today	Males	23.4	23.3
	Females	25.7	25.6
Retiring in 20 years time	Males	25.6	25.5
	Females	27.2	27.2

The expected long term returns on the assets are:

	2014 Actual rate of return %	2014 Expected rate of return %pa	2014 Value £m	2013 Expected rate of return %pa	2013 Value £m
Growth assets	5.0%	5.5%	212.1	6.7%	206.1
Matching assets including liability hedge	45.8%	2.5%	105.0	3.6%	71.8

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

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Operating surplus						
Current service cost	0.7	0.8	-	-	0.7	0.8
Net interest payable/(receivable):						
Expected return on schemes' assets	(16.2)	(14.0)	-	-	(16.2)	(14.0)
Interest on schemes' liabilities	16.6	15.7	0.2	0.2	16.8	15.9
Total charged to finance expenses	0.4	1.7	0.2	0.2	0.6	1.9
Total	1.1	2.5	0.2	0.2	1.3	2.7
Actual return on assets	44.5	14.8	-	-	44.5	14.8

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

	2014 £m	2013 £m
On obligations – interest costs	(52.9)	8.1
On fund assets – expected return	28.2	0.8
Net actuarial (losses)/gains on defined benefit retirement schemes	(24.7)	8.9

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Fair value of scheme's asset	319.7	280.0	-	-	319.7	280.0
Present value of funded obligations	(421.8)	(365.3)	-	-	(421.8)	(365.3)
	(102.1)	(85.3)	-	-	(102.1)	(85.3)
Present value of unfunded obligations	(2.6)	(2.3)	(4.8)	(4.1)	(7.4)	(6.4)
Net liabilities	(104.7)	(87.6)	(4.8)	(4.1)	(109.5)	(91.7)

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Opening defined benefit obligations	(367.6)	(369.9)	(4.1)	(4.2)	(371.7)	(374.1)
Current service cost	(0.7)	(0.8)	-	-	(0.7)	(0.8)
Benefits paid	12.6	10.8	0.3	0.2	12.9	11.0
Interest cost	(16.6)	(15.7)	(0.2)	(0.2)	(16.8)	(15.9)
Actuarial (losses)/gains	(52.1)	8.0	(0.8)	0.1	(52.9)	8.1
Closing defined benefit obligations	(424.4)	(367.6)	(4.8)	(4.1)	(429.2)	(371.7)

The cumulative actuarial losses recognised in the statement of financial activities at 31 December 2014 were £143.7m (2013 - £119.0m).

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Opening fair value of plan assets	280.0	267.3	-	-	280.0	267.3
Expected return	16.2	14.0	-	-	16.2	14.0
Actuarial gains	28.3	0.8	-	-	28.3	0.8
Contributions paid	7.8	8.7	0.3	0.2	8.1	8.9
Benefits paid	(12.6)	(10.8)	(0.3)	(0.2)	(12.9)	(11.0)
Closing fair value of plan assets	319.7	280.0	-	-	319.7	280.0

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

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Defined benefit obligation	(424.4)	(367.6)	(369.9)	(343.1)	(319.1)
Plan assets	319.7	280.0	267.3	262.9	249.3
Deficit	(104.7)	(87.6)	(102.6)	(80.2)	(69.8)
Experience adjustments on obligation					
Value	(2.7)	2.9	3.1	2.9	(2.7)
As percentage of defined benefit obligation	0.6%	(0.8%)	(0.8%)	(0.8%)	0.8%
Experience adjustments on plan assets					
Value	8.3	0.8	(3.9)	1.3	8.3
As percentage of plan assets	2.6%	0.3%	(1.5%)	0.5%	3.3%

The plan assets are valued at bid price.

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

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Defined benefit obligation	(4.8)	(4.1)	(4.2)	(4.7)	(5.2)
Experience adjustments on obligation	0.3	0.2	0.7	0.3	0.3

10 Defined contribution pension schemes

	2014 £m	2013 £m
The amounts charged to the income and expenditure account and statement of financial activities	9.3	7.4
Contributions owing to the pension schemes at 31 December	1.5	1.4

11 Trustees

	2014 £	2013 Amended £
Fees paid to the Trustees and money purchase pension contributions:		
Mr R S M Hardy	48,714	49,286
Mrs J M Shaw	35,411	29,820
Ms F E Driscoll	35,350	35,204
Mr M W Bryant	35,350	16,712
Mr P G McCracken	35,000	35,175
Dame Denise Holt	28,000	16,333
Mr D W Lister	28,000	-
Ms J L Wesson	8,750	35,000
Ms M Cassoni	-	94
	254,575	217,624

The total value of money purchase pension contributions is £4,757 (2013 - £4,628). The 2013 values are amended because the money purchase pension contributions that started in 2013 were not reported in that year's annual report and financial statements. No other emoluments were paid to the Trustees. Travel and subsistence paid on behalf of or reimbursed to all the Trustees was £21,281 (2013 - £19,866) in the year.

12 Employees

	2014 Number	2014 WTE	2013 Number	2013 WTE
Average number of employees:				
Direct charitable activities	10,033	7,092	9,691	6,815
Support and governance	103	100	115	111
	10,136	7,192	9,806	6,926

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

	2014	2013
Number of employees in defined contribution pension schemes at year end	6,835	5,933

	2014 £m	2013 £m
Staff costs during the year:		
Wages and salaries	204.5	187.5
Social security costs	18.4	16.0
Other pension costs		
Defined benefit current services cost (note 9)	0.7	0.8
Defined contribution (note 10)	9.3	7.4
Agency costs	13.9	9.7
	246.8	221.4

12 Employees (continued)

The emoluments of the higher paid employees fell within the ranges indicated below. These emoluments include bonuses payable, redundancy payments and compromise agreement payments but exclude pension contributions. The latter is included in the Executive emoluments bands in the Report of the Board of Trustees.

	2014 Number	2013 Number
£60,000 to £69,999	79	49
£70,000 to £79,999	38	24
£80,000 to £89,999	20	26
£90,000 to £99,999	22	10
£100,000 to £109,999	11	15
£110,000 to £119,999	10	2
£120,000 to £129,999	13	7
£130,000 to £139,999	9	6
£140,000 to £149,999	8	2
£150,000 to £159,999	3	2
£160,000 to £169,999	5	6
£170,000 to £179,999	2	1
£180,000 to £189,999	3	2
£190,000 to £199,999	-	-
£200,000 to £209,999	1	-
£210,000 to £219,999	1	1
£220,000 to £229,999	-	3
£230,000 to £239,999	1	-
£240,000 to £249,999	-	1
£270,000 to £279,999	-	2
£300,000 to £309,999	1	-
£310,000 to £319,999	-	1
£320,000 to £329,999	1	1
£340,000 to £349,999	1	-
£370,000 to £379,999	1	-
£460,000 to £469,999	-	1
£470,000 to £479,999	1	-
£640,000 to £649,999	-	1
£770,000 to £779,999	-	1
£780,000 to £789,999	1	-

	2014 £m	2013 £m
Employer contributions towards defined contribution pension schemes for higher paid employees	1.6	1.2

	Number	Number
Number of higher paid employees to whom retirement benefits are accruing under the defined contribution pension scheme	226	164

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. The policy is that the total remuneration packages of the senior executives, comprising base salary, pension contributions, performance based annual bonus and group wide employee benefits, should be competitive whilst also reflecting the organisation's charitable status. The notice periods for senior executives contracts is between six and twelve months.

The Chief Executive is the highest paid employee in 2014 and the second highest in 2013.

13 Tax on surplus/(deficit) on ordinary activities

	2014 £m	2013 £m
Current tax		
United Kingdom corporation tax at 21.50% (2013 – 23.25%) by subsidiaries	0.2	-

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

The subsidiary companies have tax losses available to carry forward against future taxable profits or sufficient shareholder funds to gift aid taxable profits to the Charity. No deferred taxation asset has been recognised within the financial statements at 31 December 2014 in respect of these losses because they are unlikely to be recovered.

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:

	2014 £m	2013 £m
Total incoming resources		
Normal	710.4	649.4
Exceptional	-	3.9
	710.4	653.3
Total resources expended		
Normal	(715.7)	(649.9)
Exceptional	2.7	(33.0)
	(713.0)	(682.9)
Net resources expended before transfer of funds	(2.6)	(29.6)
Actuarial gains/(losses) on retirement schemes	(24.6)	8.9
Net movement in funds	(27.2)	(20.7)

15 Intangible fixed assets

	Group £m	Charity £m
Goodwill		
Cost		
At 1 January 2014	52.5	53.5
Acquisitions	5.1	5.1
At 31 December 2014	57.6	58.6
Amortisation		
At 1 January 2014	30.8	29.8
Charge for year	5.4	6.6
At 31 December 2014	36.2	36.4
Net book value at 31 December 2014	21.4	22.2
Net book value at 31 December 2013	21.7	23.7

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

Goodwill is amortised in accordance with 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 2014	12.5	239.2	50.9	103.4	504.9	910.9
Additions at cost	26.1	5.9	-	11.8	29.7	73.5
Acquisitions	-	-	-	1.1	1.3	2.4
Disposals	-	-	-	-	(27.2)	(27.2)
Transfers	(9.1)	1.1	0.5	-	7.5	-
At 31 December 2014	29.5	246.2	51.4	116.3	516.2	959.6
Depreciation						
At 1 January 2014	-	80.6	11.0	31.1	318.9	441.6
Charge for year	-	6.6	1.3	4.9	45.1	57.9
Impairment reversal	-	-	(2.9)	-	(0.1)	(3.0)
Disposals	-	-	-	-	(23.9)	(23.9)
At 31 December 2014	-	87.2	9.4	36.0	340.0	472.6
Net book value at 31 December 2014	29.5	159.0	42.0	80.3	176.2	487.0
Net book value at 31 December 2013	12.5	158.6	39.9	72.3	186.0	469.3

The gross amount on which depreciation on freehold buildings is being calculated is £223.6m (2013 - £214.4m).

The net book value of equipment and motor vehicles held under finance leases and similar hire purchase contracts is £4.9m (2013 - £7.7m).

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 2014	16.0	227.9	51.0	109.7	494.6	899.2
Additions at cost	26.1	5.8	-	11.8	27.1	70.8
Acquisitions	-	-	-	1.1	1.3	2.4
Disposals	-	-	-	-	(27.2)	(27.2)
Transfers	(12.6)	1.1	0.4	-	11.1	-
At 31 December 2014	29.5	234.8	51.4	122.6	506.9	945.2
Depreciation						
At 1 January 2014	-	78.3	11.1	32.5	317.0	438.9
Charge for year	-	5.8	1.2	5.1	44.3	56.4
Impairment reversal	-	-	(2.9)	-	(0.1)	(3.0)
Disposals	-	-	-	-	(23.9)	(23.9)
At 31 December 2014	-	84.1	9.4	37.6	337.3	468.4
Net book value at 31 December 2014	29.5	150.7	42.0	85.0	169.6	476.8
Net book value at 31 December 2013	16.0	149.6	39.9	77.2	177.6	460.3

Group and Charity

Additions during the year included capitalised internal project development costs of £0.9m (2013 - £0.6m). The interest charges and internal project development costs capitalised to date are £10.6m (2013 - £10.6m) and £12.3m (2013 - £11.4m) respectively.

A valuation of the hospitals for loan security purposes at 31 October 2014 was undertaken by GVA Grimley LLP in accordance with the Royal Institution of Chartered Surveyors' Guidance Notes on the Valuation of Assets. The valuation of the hospitals is £940m, giving a surplus of £620m 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 for the Hospital Division are hospitals located in a same town or city and are valued at the higher of net realisable value or value in use.

The income generating unit for the Consumer Fitness & Wellbeing Centres were reviewed in the year and changed from the individual centres to one covering all the centres. This is because the services are becoming more standardised with tighter central control and membership is increasingly giving customers access to all centres. The Consumer Fitness & Wellbeing Centres are valued at their value in use as there are no reasonable estimates for net realisable value. There were no trigger events in the year either at the individual or group centre level.

17 Impairment (continued)

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 2015 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	15.6%	6.1%
Average growth rate beyond five years	2.4%	2.4%
Inflation rate beyond five years	2.1%	2.1%
Discount rate including risk	8.5%	10.5%

The reversals or charges of impairments are included in exceptional items within cost of sales.

Hospital

When the actual results for 2014 replace the forecast used in the 2013 impairment calculation there would have been no change in the impairment. The property valuation identified the reversal of an impairment of £3.0m on tangible fixed assets recognised in previous years due to an increase in market value of the assets.

The average growth rate in the first five years is high as the hospitals that were impaired in 2013 either continue growing the number of patients treated or recover lost activity.

Wellbeing

When the actual results for 2014 replace the forecast used in the 2013 impairment calculation the potential impairment is a reduction of £0.6m. There were no trigger events in the year and the change in income generating unit has not affected the value of the impairments.

The growth rates in the first five years of Wellbeing take into consideration an anticipated recovery in the UK economy and the impact of capital investments in the past two years. A 1% change in the cash from operations alters the value in use by £2.1m. A reduction in the discount rate of 1% increases the value in use by £13.2m and an increase in the rate by 1% reduces the value in use by £11.3m.

18 Fixed asset investments

Group	UK Listed investment £m	Unlisted investment £m	Total £m
Market value			
At 1 January and 31 December 2014	0.1	0.1	0.2

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

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

Charity	Subsidiary undertaking £m	UK listed investments £m	Unlisted investments £m	Total £m
Cost or market value				
At 1 January and 31 December 2014	32.6	0.1	0.1	32.8
Provision for impairment				
At 1 January 2014	14.5	-	-	14.5
Charge	2.4	-	-	2.4
At 31 December 2014	16.9	-	-	16.9
Net book value at 31 December 2014	15.7	0.1	0.1	15.9
Net book value at 31 December 2013	18.1	0.1	0.1	18.3

18 Fixed asset investments (continued)

Subsidiary undertakings

The subsidiary undertakings in the Group at 31 December 2014 are shown below.

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

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 changed its name to dacadoo ag and the Group sold its interest in the company on 8 November 2013.

	2013
Number of months trading as associate	**10 mths**
	£m
Share of operating loss after tax	(1.5)
Amortisation of goodwill	(0.3)
Share of operating loss	(1.8)

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

	2013 £m
Purchases from associate	
Purchase of HealthScore™ licences from Quentiq	0.1
Purchases of perpetual licence by waiving of debt	3.9
	4.0

The loans were waived in exchange for a perpetual licence for access to and use of HealthScore™ programs in order that we or other parties may develop it in a way suitable for the Group. The waived debt was capitalised in the Charity's accounts and shown as tangible fixed asset additions.

20 Stock

	Group 2014 £m	Group 2013 £m	Charity 2014 £m	Charity 2013 £m
Raw materials and consumables	7.5	7.4	7.5	7.4
Consignment stock not included in the balance sheet	13.5	13.3	13.3	13.3

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

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

21 Debtors falling due within one year

	Group 2014 £m	Group 2013 £m	Charity 2014 £m	Charity 2013 £m
Trade debtors	46.4	43.0	46.2	42.9
Amount owed by Group undertakings	-	-	6.8	7.3
Other debtors	4.2	10.8	4.2	9.4
Prepayments and accrued income	22.1	19.2	22.0	19.2
	72.7	73.0	79.2	78.8

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

Within other debtors there is £2.7m (2013 - £6.6m) due from Vanguard Healthcare Limited of which £1.9m is repayable in 2016 and the balance in 2017.

22 Creditors : amounts falling due within one year

	Group 2014 £m	Group 2013 £m	Charity 2014 £m	Charity 2013 £m
Obligations under finance leases	3.0	3.0	3.0	3.0
Bank loans	0.5	9.0	0.5	9.0
Deferred expenses in connection with bank loans and bonds	-	(0.8)	-	(0.8)
Other loans	0.3	0.3	-	0.3
Trade creditors	39.6	25.7	39.6	25.8
Amounts owed to Group undertakings	-	-	11.0	9.3
Social security and other taxes	6.6	5.5	6.8	6.0
Deferred/contingent consideration	0.1	0.9	0.1	0.9
Other creditors	31.2	33.9	30.0	33.3
Pension contributions	1.5	1.4	1.5	1.4
Accruals and deferred income	53.2	53.8	53.0	53.6
	136.0	132.7	145.5	141.8

23 Creditors : amounts falling due after more than one year

	Group 2014 £m	Group 2013 £m	Charity 2014 £m	Charity 2013 £m
Bank loans	137.0	205.0	137.0	205.0
Deferred expenses in connection with bank loans	(3.3)	(0.2)	(3.3)	(0.2)
Deferred interest rate derivative costs	(13.7)	-	(13.7)	-
	120.0	204.8	120.0	204.8
Stakeholder bond	18.7	18.7	18.7	18.7
Deferred expenses in connection with bond	(0.6)	(0.6)	(0.6)	(0.6)
	18.1	18.1	18.1	18.1
Secured loan notes	100.0	-	100.0	-
Other loans	-	0.3	-	0.1
Obligations under finance leases	2.8	4.9	2.8	4.9
Deferred/contingent consideration	2.8	2.7	2.8	2.7
Other creditors	2.7	2.0	2.7	2.0
	246.4	232.8	246.4	232.6

24 Borrowings

	Group 2014 £m	Group 2013 £m	Charity 2014 £m	Charity 2013 £m
Borrowings are repayable as follows:				
One year or less				
Finance leases	3.0	3.0	3.0	3.0
Bank loans	0.5	9.0	0.5	9.0
Other loans	0.3	0.3	-	0.3
In more than one but not more than two years:				
Finance leases	1.7	2.7	1.7	2.7
Bank loans	-	205.0	-	205.0
In more than two but not more than five years:				
Finance leases	1.1	2.2	1.1	2.2
Stakeholder bond	18.7	18.7	18.7	18.7
In more than five years:				
Bank loans	137.0	-	137.0	-
Secured loan notes	100.0	-	100.0	-
Other loans	-	0.3	-	0.1
	262.3	241.2	262.0	241.0

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

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

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

25 Financial derivatives

The financial derivatives in place are:

	Maturity	Fixed rate %	Principal £m
In Charity			
At 31 December 2014			
Interest rate swap into a fixed rate	2017	1.4%	50.0
Interest rate swap into a fixed rate deferred start from 2017	2021	2.4%	25.0
At 31 December 2013			
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%	0.9
Interest rate swap into a fixed rate	2020	5.0%	8.4

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 2014 is a liability of £1.1m (2013 - £18.1m). The derivatives are not recognised in the balance sheet.

During the year the derivatives that were in place at the beginning of the year were either bought out or the terms changed at a cost of £15.1m. These costs are being spread over the life of the original derivatives.

26 Provisions for liabilities

	Property related £m	Self insured £m	Other £m	Total £m
Group				
At 1 January 2014	4.8	1.5	3.2	9.5
Acquisitions	7.2	-	-	7.2
Utilised in year	(0.5)	(0.3)	(2.5)	(3.3)
Charged in year	0.2	0.5	0.8	1.5
At 31 December 2014	11.7	1.7	1.5	14.9
Charity				
At 1 January 2014	2.6	1.5	3.2	7.3
Acquisitions	7.2	-	-	7.2
Utilised in year	(0.4)	(0.3)	(2.5)	(3.2)
Charged in year	0.2	0.5	0.8	1.5
At 31 December 2014	9.6	1.7	1.5	12.8

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

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

The provision for onerous leases is the difference between the rent due and the market rent of properties whose tangible fixed assets are fully written down. The provision is determined on a site by site basis and is for between four and twenty five years. The provisions are 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 £3.8m (2013 - £4.3m).

Other provisions comprise those for contractual disputes, restructuring and the self pay guarantee.

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.

27 Permanent endowments

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

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

28 Analysis of net assets between funds

	Endowment £m	Restricted £m	Unrestricted £m	Total £m
Group fund balances at 31 December 2014 are represented by:				
Intangible fixed assets	-	-	21.4	21.4
Tangible fixed assets	-	-	487.0	487.0
Investments	0.1		0.1	0.2
Current assets	-	0.8	93.2	94.0
Current liabilities	-	-	(136.0)	(136.0)
Creditors : amounts falling due more than one year	-	-	(246.4)	(246.4)
Provisions for liabilities	-	-	(14.9)	(14.9)
Net assets excluding post retirement liability	0.1	0.8	204.4	205.3
Post retirement benefit liability	-	-	(109.5)	(109.5)
Net assets	0.1	0.8	94.9	95.8
Charity fund balances at 31 December 2014 are represented by:				
Intangible fixed assets	-	-	22.2	22.2
Tangible fixed assets	-	-	476.8	476.8
Investments	0.1	-	15.8	15.9
Current assets	-	0.8	99.0	99.8
Current liabilities	-	-	(145.5)	(145.5)
Creditors : amounts falling due more than one year	-	-	(246.4)	(246.4)
Provisions for liabilities	-	-	(12.8)	(12.8)
Net assets excluding post retirement liability	0.1	0.8	209.1	(210.0)
Post retirement benefit liability	-	-	(109.5)	(109.5)
Net assets	0.1	0.8	99.6	100.5

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 2014 £m	Group 2013 £m
Group operating surplus	19.9	(20.8)
Exceptional items in operating surplus (note 5)	(2.7)	33.0
Depreciation charge (note 6)	58.3	56.4
Amortisation of goodwill (note 6)	5.4	4.7
Loss on investment (note 18)	-	0.2
Earnings before interest, tax, depreciation, amortisation, exceptional items and non-cash elements of post retirement benefits	80.9	73.5
(Increase)/decrease in stocks	(0.1)	(0.1)
(Increase) in debtors	(4.3)	(0.5)
Increase in creditors	13.6	2.0
Increase in provisions	0.1	1.0
Total cash flow from operations	90.2	75.9
Post retirement benefits - additional cash payments	(7.4)	(7.8)
Normal cash inflow from operating activities	82.8	68.1
Exceptional cash outflow from operations		
Exceptional items in operating surplus note 5	2.7	(33.0)
(Reversal)/increase of tangible fixed asset impairment (note 6)	(3.0)	28.1
Exceptional charge on central office move (note 6)	-	0.7
Exceptional charge on digital assets (note 6)	0.6	-
Increase in creditors	(1.7)	0.7
Increase in provisions	-	1.0
Total cash outflow from operating activities	(1.4)	(2.5)

30 Returns on investments and servicing of finance

	Group 2014 £m	Group 2013 £m
Interest received	0.1	0.1
Interest paid	(12.0)	(12.5)
Interest rate derivative buy out or resetting costs	(15.1)	-
Interest element of finance lease rental repayments	(0.5)	(0.7)
Fees for bank loans	(3.4)	-
Fees for bond issue	-	(0.9)
	(30.9)	(14.0)

31 Capital expenditure and financial investment

	Group 2014 £m	Group 2013 £m
Purchase of tangible fixed assets	(75.5)	(70.5)
Proceeds from sales of tangible fixed assets	1.6	0.3
	(73.9)	(70.2)
Exceptional proceeds from sales of tangible fixed assets	0.8	3.8

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 nine fitness and wellbeing centres at no cost other than professional fees.

The cash outflow in the year comprises	Group £m
Fees on purchase of nine Virgin Fitness gyms	(0.3)
Deferred consideration for business purchased in prior years	(0.2)
	(0.5)

The fair value of the assets and liabilities of the acquisition from Virgin Fitness are:

	£m
Tangible fixed assets	(2.4)
Onerous lease provision	7.2
Net liabilities purchased	4.8
Consideration	0.3
Goodwill on acquisition	5.1

Disposal of subsidiaries

Vanguard Healthcare Limited repaid £4.0m of its loan notes in 2014. The loan notes were issued as part of the consideration for the sale that happened in 2009.

Medica Reporting Limited was sold on 2 May 2013. The net proceeds from the sale is £25.4m.

33 Financing

		Group
	2014 £m	2013 £m
Receipts from bank loans	1.0	-
Repayment of bank loans	(77.5)	(21.0)
Receipt from issue of secured loan notes	100.0	-
Receipt from issuing stakeholder bond	-	18.7
Repayment of other loans	(0.3)	-
Capital element of finance lease rental payments	(3.0)	(3.2)
	20.2	(5.5)

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	12.7	1.1	-	13.8
Bank loans due after more than one year (note 23)	(205.0)	68.0	-	(137.0)
Bank loans due within one year (note 22)	(9.0)	8.5	-	(0.5)
Other loans due within one year (note 22)	(0.3)	-	-	(0.3)
Secured loan notes (note 23)	-	(100.0)	-	(100.0)
Stakeholder bond due after more than one year (note 23)	(18.7)	-	-	(18.7)
Other loans due after more than one year (note 23)	(0.3)	0.3	-	-
Finance leases due within one year (note 22)	(3.0)	3.0	(3.0)	(3.0)
Finance leases due after more than one year (note 23)	(4.9)	-	2.1	(2.8)
	(228.5)	(19.1)	(0.9)	(248.5)

The non-cash changes include finance lease arrangements entered into by the Group in respect of assets with a capital value at the inception of the lease of £0.9m.

35 Capital commitments

		Group		Charity
	2014 £m	2013 £m	2014 £m	2013 £m
Contracted for but not provided in these financial statements	21.7	2.3	21.5	2.3

36 Operating lease commitments

		Group		Charity
	2014 £m	2013 £m	2014 £m	2013 £m
Annual commitments under non-cancellable operating leases which expire as follows:				
Land and buildings				
Less than 1 year	0.1	0.3	0.1	0.3
Between 1 and 5 years	0.5	0.2	0.5	0.2
After 5 years	34.9	30.9	35.1	30.9
	35.5	31.4	35.7	31.4
Other				
Less than 1 year	0.3	3.2	0.3	3.2
Between 1 and 5 years	0.5	0.4	0.5	0.4
	0.8	3.6	0.8	3.6

37 Contingent liabilities

The Charity has guaranteed the bank overdraft of Healthcode Ltd, its unlisted investment, to a value of £0.1m (2013 - £0.1m).

38 Related party transactions

The Charity has no related party transactions in 2014, other than with wholly owned undertakings, 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 in 2013 up to its disposal are disclosed in note 19.

Contact

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Nuffield Health Registered Office: Epsom Gateway, Ashley Avenue, Epsom, Surrey, KT18 5AL. A Registered Charity No 205533 (England and Wales), a Charity Registered No SCO41793 and a Company Limited by Guarantee. Registered in England Company No 00576970.

All our hospitals in England, and those clinics delivering regulated activities, are registered locations with the Care Quality Commission (CQC). Our hospital in Glasgow is registered with Health Improvement Scotland (HIS) and our hospital and clinic in Cardiff are registered with Health Inspectorate Wales.

Resgistered Office:
EPSOM GATEWAY
ASHLEY AVENUE
EPSOM
SURREY
KT18 5AL

A company limited by guarantee without a share capital

Registered in England (number 00576970)

Registered charity (number 205533)

Registered charity in Scotland (number SC041793)

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