



A COMPANY LIMITED BY GUARANTEE WITHOUT A SHARE CAPITAL

REGISTERED IN ENGLAND NUMBER 576970

A REGISTERED CHARITY NUMBER 205533

A REGISTERED CHARITY IN SCOTLAND NUMBER SC041793

REPORT AND FINANCIAL STATEMENTS 2013

Registered Office:

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CONTENTS

Chairman's Statement	2
Report of the Board of Trustees including the Strategic Report to the Members	4
Strategic Report	4
• Our Objectives	4
• Our Activities	5
• Our Finances	7
• Risk Management	10
Report of the Board of Trustees	12
• Trustees Review of the Charity's Objectives	12
• Our People	13
• Governance	14
• Sustainability	17
• Professional Advisers	18
• Appointment of Auditor	18
Mr Douglas Gardner's Report of the Trustees Remuneration Committee to the Members	19
Independent Auditor's Report to the Members and Trustees of Nuffield Health	20
Financial Statements	22

CHAIRMAN'S STATEMENT

2013 was a demanding year for Nuffield Health. The combination of a difficult economic background, increased competition in all of our markets and a comprehensive programme of investment made for a tough year of delivery for all of our teams. Nonetheless we performed satisfactorily overall with noteworthy advances in our corporate healthcare business and a number of strategic initiatives. Our financial position remains solid with broadly flat year on year EBITDA performance and a reduction in net debt. Our charitable agenda is based on a simple but compelling fact that it is better for society if we live healthy lifestyles to prevent ill-health rather than simply addressing ill health as and when it arises. As an organisation we can feel proud that we are fulfilling this by driving innovation and focusing our efforts on educating and supporting more people in minimising the risk of lifestyle diseases so they can live a longer, healthier and pain-free life.

Our Hospitals Division performed satisfactorily during 2013 with year on year growth in sales revenue. Our Consumer Wellbeing Division has found the marketplace very tough. Consumers have continued to be careful with their discretionary spending and this, combined with the highest level of promotional competition that we have seen, made it very difficult to see progress in the financial performance of this division. We have however continued to invest in differentiating our offering to focus on helping our customers lead a healthy lifestyle through, for example, rolling out our Digital HealthScore system for monitoring personal health. We have also focused on ways of using our network of gyms to help service our corporate customers more effectively. Our Corporate Wellbeing Division has had a very pleasing year with a number of important client wins, which positions us well for the year ahead. It is clear that our corporate customers recognise the value of Nuffield Health's 'joined up' healthcare proposition and are transferring their business from our competitors to us, as we aim to better help them keep their employees healthy.

Our financial position is solid. Net debt during the year fell driven by satisfactory EBITDA performance as well as the sale of Medica, one of our non-core assets. This has allowed us to continue to innovate and expand; we invested £84 million of capital expenditure both to improve and expand the existing facilities and services and develop new services.

With our focus on digital integration, January 2013 saw the launch of Nuffield HealthScore™, our online lifestyle and fitness app that combines the knowledge of Nuffield Health's experts with the latest smart technology. The app presents users with a dynamic score that changes depending on their inputs, providing an indication of their current health. It represents an opportunity to demystify health decisions and make them a visible element of everyday lifestyle and to propel health and wellness firmly into the hands of the consumer. There are over 25,000 members on HealthScore enjoying a new and innovative way of monitoring and actively improving their fitness and wellbeing anytime, anywhere. This is a fundamental step towards integrating digital technology into our proposition.

After a major programme of renovation, our new Chesterfield Hospital in Bristol officially opened in October. A substantial investment of £20 million over 18 months enabled us to restore and develop a Georgian villa to create the South West's first fully digital hospital with three digital operating theatres, state-of-the-art MRI and CT scanners, advanced teaching facilities with video streaming from theatres, an advanced Intensive Treatment Unit, 30 deluxe en suite hospital rooms and 12 consulting rooms.

A £14 million programme to refresh the facilities at 32 of our fitness and wellbeing centres was concluded in 2013. This was a significant project that will help to set us apart from other gym chains. Feedback from customers of the centres that have already been refurbished has been excellent.

In May we marketed the Nuffield Health Bond to raise funds to help us further develop our unique services in joined up healthcare services across the country that focus on prevention, fitness and wellbeing as well as cure. A five-year fixed term product, the Nuffield Health Bond offered a fixed annual return of 6% (gross) in cash for investments of between £1,000 to £250,000. More than 1,300 individuals invested in the Bond, with the average investment being approximately £14,000 per person. The final amount raised was £18.7 million, substantially surpassing its initial target of £15 million.

Every year we are required to review the business value of our fixed assets. Although, a valuation of our assets at both the Group and Divisional level shows that our asset values are substantially in excess of their book value, accounting standards require us to undertake the impairment review on a site by site basis. This means that if an individual site is estimated to be worth less than its book value we must take this as a charge on the balance sheet. However we do not do the reverse i.e. where a property has a value greater than book value we do not take the benefit. This is a prudent approach to our asset calculations. Our review of 'impairment' this year has highlighted the challenges during 2013 particularly in our consumer division and we have therefore appropriately taken a

reduction in these asset values in the 2013 accounts. This has resulted in non-cash charges of £28 million for certain Hospitals and Wellbeing centres.

During the year the industry has faced tremendous scrutiny from the Competition and Markets Authority which led an investigation into private healthcare. Nuffield Health worked very closely with the CMA to provide views and information which helped to shape the findings. The measures announced will go a long way to improve the competitiveness of the private hospitals market for the benefit of the health consumer. The re-shaping of the London market will undoubtedly lead to reduced prices in Central London, with the positive effects also felt by patients throughout the rest of the country who have for many years paid more than they should for private medical insurance to subsidise excessive London prices.

As a result of the challenges outlined above we have made some organisational changes to the business designed to strengthen the way Nuffield Health functions and to help drive closer integration between the different business divisions. Towards the end of the year, we merged our Wellbeing sub-divisions, Corporate and Consumer to form one team and KP Doyle became MD of the Hospitals Divisions and Dr Andy Jones MD of the Wellbeing Division. I am certain that KP and Andy will help David Mobbs in both driving better performance from these Divisions as well as accelerating our work on providing integrated healthcare services across all our assets.

In early December we moved our head office to new premises in Epsom - Epsom Gateway. It provides a number of flexible working areas, formal and informal meeting spaces, along with a dedicated area for the Nuffield Health Academy and private and social spaces. The inclusion of a new Fitness and Wellbeing Centre, which will be open to everyone, will be valuable for the delivery of onsite fitness training courses and showcasing our Wellbeing offering to prospective clients.

On behalf of the Trustees, I would like to thank the Executive Management team and all of the 10,000 people who work for Nuffield Health. The commitment, skill and enthusiasm they display are an inspiration to us all. They deserve our admiration and our gratitude for helping people across the country to achieve and retain good health. It is as a result of their efforts that our great organisation can continue to play such a vital role in helping improve the health of the nation.

Finally, I am sad to announce the passing of our fellow Member and ex-Chairman Sir Nicholas Hunt, on 25th October 2013. Sir Nicholas's contribution to Nuffield Health was considerable and our sympathies go out to his wife, Meriel, and his family. Sir Nicholas will be greatly missed.

A handwritten signature in black ink, consisting of a stylized 'R' followed by a horizontal line and a vertical stroke.

Russell Hardy
Chairman of the Board of Trustees

REPORT OF THE BOARD OF TRUSTEES INCLUDING THE STRATEGIC REPORT TO THE MEMBERS

The Trustees present their report, including the strategic report, together with the financial statements for the year ended 31 December 2013.

STRATEGIC REPORT

OUR OBJECTIVES

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

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

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

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

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

Our ambition is to establish a widely-accessible not-for-profit health system which seamlessly connects the three key elements of an integrated healthcare service:

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

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

OUR ACTIVITIES

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

Nuffield Health's Hospital Services

We operate 31 hospitals with 1,342 beds and 123 operating theatres. We can provide more than 1,500 different surgical procedures. Nuffield Health is the only hospital group outside of the NHS to have been awarded NHS Litigation Authority Level 3 accreditation for our governance policies and processes. This is an important endorsement of the high quality of our clinical care.

Hospitals account for 70% of Nuffield Health's turnover. 2013 was a challenging year for the industry, with private activity continuing to be affected by the wider economic issues, however despite this the division's revenues rose 1.3% to £456.6m, largely as a result of a sharp increase in the volume of work we carried out for the NHS.

In 2013, procedures carried out by our hospitals included:

- *51,300 orthopaedic procedures, reducing patients' pain and increasing their mobility;*
- *29,500 general surgical procedures;*
- *16,300 ophthalmic procedures to improve patients' sight; and*
- *52,800 MRI scans*

We continue to invest heavily in the business to ensure our hospitals are fit for the demands of 21st Century healthcare. During the year, we invested £44m in improving and expanding our hospital facilities:

- completed the build of the new Chesterfield Bristol hospital;
- completed a refurbishment programme at Brentwood, Brighton and Wessex; and
- equipped more of our hospitals with the latest technology minimally invasive endoscopy equipment.

In 2014, we will continue with work to build the new hospital in Cambridge. We also plan to invest further in our diagnostics provision and finish the upgrading of our PACS RIS diagnostic imaging, reporting and booking software.

2013 also saw the launch of the 'Nuffield Health Promise' which provides guarantees about treatment packages and prices, often hidden by clinics offering cut price healthcare, who provide neither follow up nor assistance should anything go wrong. Patients will receive a guarantee that the package they sign up to will be totally transparent with prices inclusive of all costs and with no hidden surprises. Patients having surgery at Nuffield Health hospitals will not have time limits placed on care, following surgery. In an unprecedented move in private healthcare, patients will receive follow up advice, treatment and Consultant led care for as long as they require it.

We have led the industry in the not-before-time quest for patient transparency and availability of clinical data. We can also take many positives from the provisional findings of the Competition Management Authority's (CMA) inquiry, where we shared much common ground with the CMA and helped shape an outcome, which was favourable for the healthcare consumer.

Perhaps most important of all, patients continue to give outstanding reviews of Nuffield Health's facilities and quality of service. In 2013 in excess of 33,000 hospital patients were surveyed and 98% of respondents rated the overall care they had received as "excellent or "very good". This maintains the extremely high scores we have achieved over several years.

Nuffield Health's Wellbeing Services

By the end of 2013, the number of people with membership of Nuffield Health's fitness and wellbeing centres was approaching 300,000. Nearly 100,000 Health MOTs were undertaken in the Wellbeing division, along with almost 90,000 health assessments. Our Meet our Experts sessions proved popular too, attracting more than 25,000 attendees, 10,000 more than 2012. These are free to members of our fitness and wellbeing centres and open to the public at large.

Wellbeing Services for Consumers

In what continued to be a challenging consumer environment due to falls in disposable income and stagnation in the market, the total membership figure for our consumer fitness and wellbeing centres fell by 7,600.

Despite this we maintained the investment in our consumer proposition. In 2013, our £18m capital expenditure programme continued the refurbishment of many of our consumer sites in order to provide a better, more differentiated offering to members, encouraging growth in the forthcoming year. The refresh programme at 32 of our fitness and wellbeing centres was completed and this significant project will help set us apart from other gym chains and feedback from customers of the centres that have already been refurbished has been excellent.

The 65 consumer fitness and wellbeing centres around the country, help us to fulfil our aim of ensuring that as many people as possible have access to our unique range of services, including doctors, physiotherapists, nutritionists and physiologists. The introduction of our new 'Wellbeing Membership' in our fitness and wellbeing centres provides members with a more personalised assessment of their needs and directs them towards any further specialist advice they might require. So far, the membership has been well received and steadily growing.

Within our consumer fitness and wellbeing centres, we delivered almost 84,000 Health MOTs. The Health MOT remains a key element in delivering Nuffield Health's strategy of providing an integrated healthcare service tailored to every individual's needs.

2013 saw a big step forward in the integration of digital technology into our products and services. The rollout of Nuffield HealthScore™, our new online fitness and lifestyle app, has been well received by users. There are over 25,000 members on HealthScore enjoying a new and innovative way of monitoring and actively improving their fitness and wellbeing anytime, anywhere. It is an exciting way of encouraging people to remain engaged with the quest to secure and retain good health, pointing them to ways in which they can achieve their individual goals.

The introduction of 'Iconic Fitness' created a standardised engagement model to ensure our fitness team continue to deliver a quality service. It provides a learning and development programme focusing on not just the fitness prescription but also nutrition, sleep, stress and coaching modules, creating a firm foundation to offer clinical memberships, specialist programs and drive secondary personal training revenues.

Nuffield Health Nottingham gym was an award winner in the Premium Club category at the National Members' Choice Health Club Awards 2013. This is a great achievement, as the Members' Choice Health Club Awards are the only awards in the industry where winners are selected purely on the feedback from the people that use the facilities.

Wellbeing Services for Employees

Employee wellbeing remains important for the corporate responsibility agenda, and employers are beginning to realise their role in maintaining the health of people who work for them. The benefits have been proven to improve their workforce's wellbeing and productivity.

Nuffield Health is firmly established as Britain's leading provider of corporate wellbeing solutions. By the end of 2013, we ran operations at nearly 200 corporate sites, across the UK, serving over 113,000 members, an increase of 10,000 from 2012; we have advanced differentiation in the year with Nuffield Health branding to over half our sites and increasing our Health MOT penetration significantly.

With 4 medical centres, 40 Health assessment centres, within our hospitals and fitness and wellbeing sites, and an extensive physiotherapy network of over 2,000 accredited and governed Physiotherapists; we help to maintain a healthy workforce for over 1,600 businesses across the UK.

2013 was a year of growth in corporate wellbeing. Not only did we expand our offering with many current clients, we achieved contracts with new names including Morgan Stanley, Tesco and Shell.

We carried out almost 90,000 Health Assessments and launched the Nuffield Health Executive Healthcare Programme, a first of its kind in the UK, tailored to support senior executives. We launched this new bespoke healthcare solution for our executive clients in November, with an event at The Gherkin, and gave employers the opportunity to find out more about this unique concierge approach to health and wellbeing for senior executives.

In providing over 467,000 physiotherapy sessions in 2013, we increased the number of locations by a further 20 clinics at our own facilities and by a further 525 through our Fusion network of physiotherapy clinics.

With education a key focus, 6 new school sites opened during the year. We provide top-class fitness facilities to UK schools and colleges and have an excellent record of placing education sector fitness facilities at the heart of our communities, while generating much-needed income for learning establishments. Our total number of sites has risen to 18 across the UK.

OUR FINANCES

The significant financial events in the year are:

- Revenue from continuing activities grew 2.6% in the year;
- Investment in our future is the highest it has been for the past five years at £84.0 million;
- The group has generated cash to finance the capital expenditure as shown by the net debt (borrowings less cash) being similar to last year;
- The sale of Medica Reporting Ltd generated a £6.3 million surplus on disposal and net cash of £25.4 million;
- The successful issue of a five year stakeholder bond that brought in £18.7 million;

However

- Total operating surplus on continuing business, excluding exceptional items, at £11.2 million is £9.6 million less than 2012 because of pressure on margins;
- Fixed assets were impaired by £28.1 million to reflect the continued difficult economic situation at a number of locations.

The key financial indicators are:

	2013	2012	2011
Group turnover - continuing activities (£m)	650.2	633.9	567.5
EBITDA excluding exceptional items - continuing activities (£m)	71.7	78.0	70.3
EBITDA excluding exceptional items as share of Group turnover - continuing activities	11.0%	12.3%	12.4%
Total operating surplus excluding exceptional items (£m) - continuing activities	11.2	20.8	17.4
Return on capital employed (ROCE)	14.9%	15.7%	14.6%
Capital expenditure (£m)	84.0	69.3	44.4
(Reduction)/increase in net debt (£m)	(0.5)	14.2	2.0
Leverage (total debt divided by EBITDA excluding exceptionals)	3.3	3.0	3.2
* 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

Against a difficult economic background we have increased the turnover of continuing activities by £16.3 million (2.6%) over the previous year. However the increase in costs, in particular rent and utilities, and changes in mix of activities to lower margins have resulted in a 1.4% point reduction in the EBITDA margin in the year.

The Group's operating surplus for all activities before exceptional items was £12.2 million. Exceptional items are impairments, £28.1 million, the cost of reorganising the Charity in order for it to be best structured to meet its strategic aims, £3.1 million, and a one off cost of £1.8 million in moving to the new central office.

In 2013, our Hospitals division increased its continuing turnover by £6.0 million (1.3%) compared to the previous year. The year has been characterised by decline in private activity, with insured and self-pay down 3.7% and 0.5% respectively, offset by a 10.0% increase in NHS volumes. There have been encouraging signs of recovery, with self-pay up against prior year in the final quarter while the decline in insured activity has also slowed from 6% in the first half of the year to 1% in the second half.

The Wellbeing division has increased turnover by £10.2 million (5.2%) due to the continued roll out of our unique approach integrated services health, fitness and wellbeing services and the increase in yield and secondary income in the Consumer section, which have more than offset the reduction in revenue caused by fewer Consumer members. Pressure on costs including rent and rates, utilities and payroll have had a negative impact on operating surpluses, which are down £4.1 million.

Impairment

Each year the Group undertakes an impairment review of its assets to ensure the value of its assets on the balance sheet is a fair reflection of their business value.

The review shows that on a portfolio basis neither the Hospital or Wellbeing activities would require an impairment, meaning we maintained the value of our assets despite the economic pressure. At a Group level there would be a surplus of at least £450m; based on the latest GVA Grimley LLP valuation, carried out in 2011

However following the technical application of accounting standards, the future earnings of some of the individual Wellbeing Centres are less than their book values. We have therefore charged £23.5 million to the income and expenditure account in the year.

Likewise whilst our hospital portfolio overall was valued at more than their net book value, two hospitals were valued at less than their book value and we have impaired their values by £4.6 million.

Investment in the future

We increased our investment in the future across the Group. Capital projects of particular note are the completion of the extensions and refurbishment of the Brentwood, Bristol and Wessex hospitals, the upgrade of 32 consumer sites, the development of the Nuffield HealthScore™, IT infrastructure and the new central office. In addition, we have received planning permission for a major redevelopment of our Cambridge hospital, which will start build in 2014.

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.

Stakeholder bond

We are delighted with the support shown from stakeholders in our bond. Going significantly beyond our £15 million target shows the trust our investors, customers and staff have in the Nuffield Health brand. Our balance sheet is one of the strongest in our sector and given the demonstrable demand for the bond, we will continue to explore innovative sources of funding to promote our vision of 21st century healthcare.

Sale of Medica Reporting Ltd

Our teleradiology company Medica Reporting Ltd was sold during the year as it was not strategic activity. In February 2013 we purchased the remaining 10% of the shares for £5.5 million and sold all the shares for £25.6 million in May 2013, generating £20.1 million for the Group to invest in other areas. The profit on sale is £6.6 million. The company made an operating surplus of £1.0 million in 2013 and £2.2 million in 2012.

Nuffield HealthScore™

During the year we agreed with the fellow owners and technical partners of Nuffield HealthScore, dacadoo ag, that we would separate in order that we could both develop the product in our own strategic directions. Nuffield Health received a perpetual licence and will develop the product so to form a core component of Nuffield Health's digital services. The financial impact of these transactions are described in notes 7 and 19.

HealthScore's vision is to become the leading aggregator of data by providing a platform which is device and data source agnostic, a platform which can receive anything from blood counts to steps taken, combine this data and interpret it to the user in the form of a simple numerical score that is clinically credible and trusted.

Net debt

Close control of our cash and debt position has been maintained to ensure that our net debt did not increase despite the £15 million increase in capital expenditure. At the end of the year net debt was £0.5 million less than at the beginning of the year.

Going concern

Details of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Our Activities section above. The financial position of the Group, its cash flows and liquidity position are set out in the consolidated balance sheet, consolidated cash flow statement and notes 24 and 34. In addition, the financial risk management and objects 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 bank borrowings. Current economic conditions create uncertainty, particularly over the level of demand for the Group's services and interest rates. The Group's forecasts, taking account of possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

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

Reserves

The Group 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 throughout the year. 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 £56 million of unutilised bank facilities and £13 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 bank finance facilities.

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 at both a strategic and operational level. 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 Integrated Governance 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. To ensure a continual and systematic approach to risk assessment, a number of key risk assessment methods have been standardised across the Group and it is anticipated that further standardisation will be implemented during 2014.

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.

Group level risk

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

Other major areas of strategic potential risk include:

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

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

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

Financial risks

In addition to the above, the Group is exposed to the following financial risks.

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 2013 there were £56 million of unutilised bank loan facilities and £13 million of cash.

The bank loans are fully repayable in November 2015, with installments starting in June 2014. The Group is investigating the available methods of finance with the aim that new facilities are in place by the end of 2014.

Interest rate risk

The Group is exposed to the 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.

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 focussed on providing public benefit.

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

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 fulfil its charitable objectives; that there are no activities that are inconsistent with its objectives; and that the Charity meets the requirements of the policies described above. In addition, the Trustees are confident that plans are in place for 2014 that will further enhance the accessibility of the Charity's activities.

In 2013, 11% of our revenues came from products and services costing customers less than £1 per day. On top of this, 17% of our revenues at market rates were from products and services free at the point of delivery to the patient or customer.

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 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. Our not for profit status allows us to think for the long term and put in place people policies that help our people become life-long advocates of the Nuffield Health brand.

Our approach to Total Health Management include benefits which encourage a healthy lifestyle such as free gym membership, Nuffield HealthScore™ our health and wellbeing app, cycle to work, time off to care, nutritious workplace meals and promoting a work life balance. In addition we have extended, or have plans to extend, access to Nuffield Health's services for its own employees. These include physiotherapy, the healthcare scheme and health assessments. Late 2013 saw the introduction of 'Healthy Start' programmes designed to offer people with health related issues a step up into the workplace. These will be consolidated and extended during 2014.

Nuffield Health is a values driven organisation that believes we should strive to do the right thing for our clients as well as our employees. Central to this is strong and value driven leadership. The recent Francis report put the quality of leadership at the centre of any organisations ability to deliver quality care. Nuffield Health has always believed this and invested heavily in developing leadership skills at every level of the organisation. These include our "discovering leadership" programme where attendees are given an insight into the qualities that make for good leadership; a programme to help those in managerial roles further develop their skills by interacting with and learning from leaders across the organisation; and a programme for senior management, run in conjunction with Ashridge Business School, to identify the future needs of Nuffield Health and how these can best be met.

In 2013 we also introduced a new and exciting programme 'Brand Leadership' which is intended to touch all senior and middle managers across the organisation. 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. This is a powerful course and has been very well received by all 300 people who have been through it.

Nuffield Health's people are kept fully informed of developments within the organisation through a number of formal channels. Our people are encouraged to be involved in the day-to-day running of the services the Charity provides. Nuffield Health continues to work in partnership with a number of recognised trade unions for the benefit of its people. In late 2013 we also invested in a new 'extranet' designed to further improve the quality of interaction and dialogue between employees. This is a significant investment and will only improve the sense of involvement in the community of Nuffield Health.

The Charity puts great emphasis on training and career development, and 2013 saw the continued development of the Nuffield Health Fitness Academy, a commitment to help fitness and wellbeing advisors become leaders in their field. We aim to ensure that all advisors are qualified to at least level 3 of the Register of Exercise Professionals Standards (REPS). Training is given at the Charity's expense; many other employers elsewhere in the industry expect the cost of training to be borne by the individual. Since October 2011, Nuffield Health has had an Employer Training Licence from Skills Active, ensuring that its in-house courses are REPS accredited, allowing the Charity to deliver its own training programmes.

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

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

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

GOVERNANCE

Governing document

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

Trustees

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

Mr Russell SM Hardy	Chairman; member of the Executive Remuneration and Succession 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.
Ms Jane L Wesson	Deputy Chair; Chair of the Board Integrated Governance 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.
Mr P Guy McCracken LVO	Chairman of the Executive Remuneration and Succession Committee; member of the Board Integrated Governance Committee; member of the Nominations Committee; member of the Finance and Investment Committee.
Mrs Joanne M Shaw	Member of the Board Integrated Governance Committee; member of the Nominations Committee.
Dame Denise Holt	Member of the Board Integrated Governance Committee.
Mr Martin Bryant	Chair of the Finance and Investment Committee, member of the Audit Committee.

In accordance with the Charity's Articles of Association, Ms Jane Wesson will retire as a Trustee with effect from 1 April 2014 and Dame Denise Holt, Mr Martin Bryant and Mr David Lister will offer themselves for election as Trustees, by the Members, at the Annual General Meeting to take place on Tuesday, 3 June 2014.

Board Committees

Executive Remuneration and Succession Committee

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

Nominations Committee

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

Audit Committee

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

Board Integrated Governance Committee

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

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

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 Governors. The Group Chief Executive and Chief Financial Officer will attend the Committee's meetings.

Trustees' appointment and appraisal

New Trustees are appointed by the Nominations Committee who shall have due regard to 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 19. Amounts paid during 2013 are set out in Note 11 of the Financial Statements.

Organisational structure

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

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

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

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

Executive Management

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

Mr David Mobbs	Group Chief Executive
Mr K P Doyle	Deputy Group Chief Executive & Managing Director Hospitals from 1 February 2014 Chief Financial Officer until 31 December 2013
Mr Greg Hyatt	Chief Financial Officer from 1 January 2014
Dr Andrew Jones	Managing Director, Corporate Wellbeing & Consumer Wellbeing from 1 Dec 2013
Ms Laura Kerby	Managing Director, Consumer Wellbeing until 31 December 2013
Ms Patricia Lee	Chief Executive, Hospitals Division until 31 January 2014
Dr Rubin Minhas	Group Medical and Scientific Director from 1 April 2013 to 31 January 2014
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 from 1 December 2013
Mr Luke Talbutt	Group General Counsel and Company Secretary

Executive Remuneration

The Executive Remuneration and Succession Committee, which takes independent advice from external advisors, has delegated authority from Nuffield Health's Board of Governors to determine the remuneration package for all senior executives including the Chief Executive. The objective is to ensure that senior executives are appropriately motivated and rewarded for their individual and collective contributions to the organisation's overall performance.

In addition, the Committee ensures that senior executives and other employees receive the necessary development and leadership opportunities which are considered essential for the long term success of the organisation.

The Nuffield Health remuneration package consists of: base salary, pension contributions, an annual bonus and employee benefits. Total compensation is positioned with reference to 75% of the market median (median rate, discounted by 25%) for the reference market. For example if there are 11 companies in the comparative market group for a role, and the total compensation level for each company is ranked from lowest to highest, the median level is that of the company positioned in the middle at 6th place. We benchmark at this point and then apply a further 25% discount to determine the level of remuneration. The current reference market is a selection of companies based on comparable organisational size and complexity. Members of the Committee are informed of total compensation levels in private and public healthcare organisations, and leading charities of a comparable size, to gauge relative positioning of executive packages. Our trustees conduct an independent annual review of executive remuneration and view the salaries of our executives as being at the appropriate level to attract and retain the talent required to sustain the success of the charity. We believe that a charity should be transparent so all of our pay levels are published in our Annual Report and Accounts.

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, the Trustees are required to:

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

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Trustees is aware, the Trustees confirm that:

- **there is no relevant audit information of which the charitable company's auditors are unaware; and**
- **the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.**

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SUSTAINABILITY

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

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

PROFESSIONAL ADVISERS

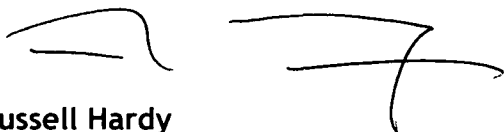
<u>External Auditor</u> Grant Thornton UK LLP The Explorer Building Fleming Way Manor Royal Crawley RH10 9GT	<u>Internal Auditor</u> Deloitte LLP Stonecutter Court 1 Stonecutter Street London EC4A 4TR
<u>Solicitors</u> CMS Cameron McKenna Mitre House 160 Aldersgate Street London EC1A 4DD	
<u>Bankers</u> Barclays Bank Plc Level 28 1 Churchill Place Canary Wharf London E14 5HP Allied Irish Bank (GB) St Helen's 1 Undershaft London EC3A 8AB Lloyds Bank plc 10 Gresham Street London EC2V 7AE	
<u>Property Adviser</u> GVA Grimley LLP 3 Brindleyplace Birmingham B1 2JB	
<u>Pension and Remuneration Adviser</u> Mercer Ltd Riverside Court Guildford Road Leatherhead Surrey KT22 9DF	

APPOINTMENT OF AUDITOR

Grant Thornton UK LLP offer themselves for reappointment as Auditors in accordance with Section 485 of the Companies Act 2006. Resolutions will be proposed at the Annual General Meeting to reappoint them and to authorise the Trustees to fix the remuneration of the Auditors for the year ending 31 December 2014.

30 April 2014

The Report of the Board of Trustees including the Strategic Report 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 2013, the members of the Committee were Lady Forester, Mr Michael Smith and myself, as Chairman following the resignation of Lord Wade. The Secretary of the Committee is Mr Luke Talbutt, General Counsel & Company Secretary of Nuffield Health.

The Committee met on 4 December 2013 to consider the remuneration of the Trustees, to take effect from 1 January 2014. The review mechanism agreed with the Charity Commission is that the maximum amount payable is assessed by reference to the lowest point in the pay scale recommended by the Review Body on Civil Service Salaries, using the scales of Permanent Secretaries as a benchmark. The Committee sought the advice of Mr Russell Hardy, the Chair of the Board of Trustees and having carefully considered the matter, agreed with Mr Hardy's recommendation that it would not be appropriate for the Trustees to receive an increase in their remuneration for the year commencing 1 January 2014, in view of the present economic climate and the ongoing freeze in pay for all public servants paid more than £21,000 per year.

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

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

The Committee noted that it had previously agreed to conduct an external appraisal of the Trustees every two years. However, it agreed with the recommendation to conduct an internal process to review 2013 performance.

The Committee noted that two new Trustees had been appointed in 2013, Dame Denise Holt and Mr Martin Bryant, and that another Trustee would be appointed in 2014 to replace Ms Jane Wesson who would be stepping down after completing nine years as a Trustee. A new Deputy Chair and a new Chair of the Board Integrated Governance Committee would be appointed to replace Ms Wesson. The Committee also noted that a new sub-committee of the Board had been set up, the Finance and Investment Committee which would provide an extra layer of governance in reviewing significant financial investments or proposals.

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 AUDITORS REPORT TO THE MEMBERS AND TRUSTEES OF NUFFIELD HEALTH

We have audited the financial statements of Nuffield Health for the year ended 31 December 2013 which comprise the consolidated income and expenditure account, the consolidated statement of financial activities, the balance sheets, the consolidated cash flow statement, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Trustees and Auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 17, 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/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent charitable company's affairs as at 31 December 2013 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.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS AND TRUSTEES OF NUFFIELD HEALTH (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

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



Stephen Maslin
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
30 April 2014

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

Company number
Charity number in England and Wales
Charity number in Scotland

576970
205533
SC041793

Consolidated Income and Expenditure Account
For the year ended 31 December 2013

	Note	Contin uing £m	Discon tinued £m	2013 Total £m	Contin uing £m	Discon tinued £m	2012 Total £m
Turnover		650.2	4.2	654.4	633.9	11.0	644.9
Cost of services							
Normal	2	(622.3)	(3.2)	(625.5)	(597.3)	(8.8)	(606.1)
Exceptional	5	(30.4)	-	(30.4)	0.1	-	0.1
Gross (deficit)/surplus		(2.5)	1.0	(1.5)	36.7	2.2	38.9
Support and governance costs							
Normal	3	(16.7)	-	(16.7)	(15.8)	-	(15.8)
Exceptional	5	(2.6)	-	(2.6)	(0.6)	-	(0.6)
Group operating (deficit)/surplus		(21.8)	1.0	(20.8)	20.3	2.2	22.5
Share of operating losses of associates	19	-	(1.8)	(1.8)	-	(0.5)	(0.5)
Total operating (deficit)/surplus		(21.8)	(0.8)	(22.6)	20.3	1.7	22.0
Surplus on sale of businesses	7	-	6.3	6.3	-	-	-
Surplus on disposal of tangible fixed assets	7	0.4	-	0.4	0.4	-	0.4
(Deficit)/surplus before interest and tax		(21.4)	5.5	(15.9)	20.7	1.7	22.4
Net interest payable and similar income	8			(16.3)			(18.3)
(Deficit)/surplus on ordinary activities before taxation				(32.2)			4.1
Tax on surplus on ordinary activities	13			-			-
Retained (deficit)/surplus for the financial year				(32.2)			4.1

Consolidated Statement of Financial Activities
For the year ended 31 December 2013

	Note	Permanent endowment £m	Restricted £m	Unrest- ricted £m	2013 Total £m	2012 Total £m
Incoming resources						
Incoming resources from generated funds						
Donations, gifts and legacies		-	0.1	-	0.1	0.1
Investment income	8	-	-	0.5	0.5	0.4
Incoming resources from charitable activities						
Services to patients and others						
Continuing		-	-	650.1	650.1	633.8
Discontinued		-	-	4.2	4.2	11.0
Other incoming resources						
Surplus on disposal businesses	7	-	-	6.3	6.3	-
Surplus on disposal of tangible fixed assets	7	-	-	0.4	0.4	0.4
Total incoming resources		-	0.1	661.5	661.6	645.7
Resources expended						
Charitable activities						
Normal						
Continuing	2	-	-	(636.3)	(636.3)	(610.5)
Discontinued	2	-	-	(3.2)	(3.2)	(8.8)
Exceptional - continuing	5	-	-	(33.0)	(33.0)	(0.5)
Post retirement finance expense	8 and 9	-	-	(1.9)	(1.9)	(3.4)
Governance costs	3	-	-	(2.7)	(2.7)	(2.6)
Other resources expended						
Interest payable	8	-	-	(14.9)	(14.9)	(15.3)
Taxation	13	-	-	-	-	-
Total resources expended		-	-	(692.0)	(692.0)	(641.1)
Net incoming resources		-	0.1	(30.5)	(30.4)	4.6
Share of associate's net losses - discontinued	19	-	-	(1.8)	(1.8)	(0.5)
Net incoming resources before other recognised gains and losses		-	0.1	(32.3)	(32.2)	4.1
Other recognised gains and losses						
Actuarial gains/(losses) on defined benefit retirement scheme	9	-	-	8.9	8.9	(26.0)
Net movement in funds		-	0.1	(23.4)	(23.3)	(21.9)
Fund balances at 1 January		0.1	1.2	139.6	140.9	162.8
Fund balances at 31 December	28	0.1	1.3	116.2	117.6	140.9

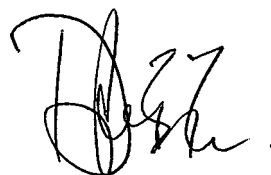
Balance Sheets
at 31 December 2013

	Note	2013 £m	Group 2012 £m	2013 £m	Charity 2012 £m
Fixed assets					
Intangible assets	15	21.7	43.9	23.7	28.3
Tangible assets	16	469.3	476.2	460.3	470.2
Investments	18	0.2	0.4	18.3	47.9
Investment in associate	19	-	3.3	-	3.7
		<u>491.2</u>	<u>523.8</u>	<u>502.3</u>	<u>550.1</u>
Current assets					
Stocks	20	7.4	7.3	7.4	7.3
Debtors	21	73.0	73.4	78.8	211.8
Cash at bank and in hand		12.7	17.2	12.6	13.2
		<u>93.1</u>	<u>97.9</u>	<u>98.8</u>	<u>232.3</u>
Creditors: amounts falling due within one year	22	<u>(132.7)</u>	<u>(121.2)</u>	<u>(141.8)</u>	<u>(276.9)</u>
Net current liabilities		<u>(39.6)</u>	<u>(23.3)</u>	<u>(43.0)</u>	<u>(44.6)</u>
Total assets less current liabilities		<u>451.6</u>	<u>500.5</u>	<u>459.3</u>	<u>505.5</u>
Creditors: amounts falling due after more than one year	23	<u>(232.8)</u>	<u>(245.3)</u>	<u>(232.6)</u>	<u>(245.0)</u>
Provisions for liabilities	26	<u>(9.5)</u>	<u>(7.5)</u>	<u>(7.3)</u>	<u>(5.3)</u>
Net assets excluding post retirement liability		<u>209.3</u>	<u>247.7</u>	<u>219.4</u>	<u>255.2</u>
Post retirement defined benefit liability	9	<u>(91.7)</u>	<u>(106.8)</u>	<u>(91.7)</u>	<u>(106.8)</u>
Net assets		<u>117.6</u>	<u>140.9</u>	<u>127.7</u>	<u>148.4</u>
Income funds					
Restricted funds	28	1.3	1.2	1.3	1.2
Unrestricted funds:					
General fund	28	207.9	246.4	218.0	253.9
Post retirement reserve	28	(91.7)	(106.8)	(91.7)	(106.8)
Total unrestricted funds	28	<u>116.2</u>	<u>139.6</u>	<u>126.3</u>	<u>147.1</u>
Total income funds		<u>117.5</u>	<u>140.8</u>	<u>127.6</u>	<u>148.3</u>
Permanent endowment	27 and 28	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Group funds		<u>117.6</u>	<u>140.9</u>	<u>127.7</u>	<u>148.4</u>

Approved by the Board of Trustees on 30 April 2014



Russell Hardy - Chairman



David Mobbs - Group Chief Executive

Consolidated Cash Flow Statement
For the year ended 31 December 2013

	Note	£m	2013 £m	£m	2012 £m
Net cash inflow from operating activities					
Normal	29	68.1		75.9	
Exceptional	29	(2.5)		(0.6)	
			65.6		75.3
Net cash outflow from returns on investments and servicing of finance	30		(14.0)		(13.9)
Taxation			-		(0.1)
Capital expenditure and financial investment					
Net purchase of tangible fixed assets	31	(70.2)		(51.9)	
Increase in loans to associate	19	(2.8)		(1.1)	
Receipts from exceptional disposal of tangible fixed assets	31	3.8		1.0	
Net cash outflow from capital expenditure and financial investment			(69.2)		(52.0)
Acquisitions and disposals					
Payment to acquire subsidiary undertakings	32	(6.8)		(13.8)	
Receipt/(payment) from sale of subsidiary	32	25.4		(0.1)	
Payment to acquire investment in associate		-		(2.6)	
Net cash inflow/(outflow) from acquisitions and disposals			18.6		(16.5)
Cash inflow/(outflow) before financing			1.0		(7.2)
Financing	33		(5.5)		11.6
(Decrease)/increase in cash for the financial year	34		(4.5)		4.4
Reconciliation of net cash flow to movement in net debt					
(Decrease)/increase in cash for the financial year			(4.5)		4.4
Cash outflow/(inflow) from changes in debt and lease finance	33		5.5		(11.6)
Change in net debt resulting from cash flows	34		1.0		(7.2)
Loans and leases acquired with acquisition	32		-		(1.8)
New finance leases	34		(0.5)		(5.2)
Movement in net debt in the financial year			0.5		(14.2)
Net debt at 1 January	34		(229.0)		(214.8)
Net debt at 31 December	34		(228.5)		(229.0)

Accounting Policies

For the year ended 31 December 2013

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. The introduction of Group wide reporting system has enabled a thorough review of the classification of costs into types and categories as explained in note e) below. It only affects notes 2 and 6 and has no impact on the Consolidated Income and Expenditure Account or the Consolidated Statement of Financial Activities.

a) Going concern

The Group meets its day-to-day working capital requirements through its internal cash generation supported by bank borrowings. The available bank facilities at 31 December 2013 are £200m, fully drawn, that is repayable in instalments between June 2013 and November 2015; and a further £70m, of which £14m is drawn and is due to expire in November 2015.

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

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

b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Charity and its subsidiary undertakings drawn up to 31 December 2013. A subsidiary is an undertaking in which the Charity has the right to exercise dominant influence by controlling the undertaking's financial and operating policies through direct and indirect ownership of voting rights, exercisable put and call options or by contractual agreements. The results of subsidiary undertakings acquired during the year are included from the date of acquisition. Surpluses or deficits on intra-Group transactions are eliminated on consolidation. On acquisition of an undertaking, the undertaking's identifiable assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

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

Subsidiary undertakings are consolidated using the acquisition accounting method.

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

c) Funds

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

Restricted funds are subject to specific trusts, which may be declared by the donor(s), and are within the objects of the Charity. Restricted funds are transferred to unrestricted when the specific requirements of the donation are satisfied.

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

d) Incoming resources and turnover

Incoming resources from charitable activities 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.

The Group has reviewed the departments that are to be classified as support and a number of departments that had been included in support costs were more correctly classified as direct activities. The change has resulted in a £11.6 million reduction in support costs before recharges for 2012. There is no change in the costs after recharge.

At the same time, the introduction of a new group consolidating system has enabled the cost types to be reviewed to improve the consistency of classification across the Group resulting in the 2012 numbers being restated. Supply costs and other costs have increased by £9.9 million and £14.1 million respectively offset by a reduction in staff costs of £11.0 million and third party costs of £13.0 million.

f) Exceptional items

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

g) Financial derivatives

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

h) Foreign currency

Group entities

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

Asset and liabilities at the closing rate; and
Income and expenditure at the average exchange rate.

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

Transactions and balances

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

i) Intangible assets

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

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

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

j) Tangible fixed assets and depreciation

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

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

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

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

Depreciation on the other tangible fixed assets is calculated on a straight line basis to write down the cost over their expected useful economic lives. The applicable periods are:

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

k) Impairment of intangible and tangible fixed assets

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

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

l) Purchase and disposal of properties

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

m) Investments

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

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

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

n) Stocks

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

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

o) Provisions for liabilities

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

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

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

p) Defined benefit pension schemes and other post retirement benefits

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

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised over the period in which the benefit changes vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are reported as recognised gains and losses in the statement of financial activities.

q) Defined contribution pension schemes

Contributions payable for the year are charged against operating surplus.

r) Leased assets and hire purchase commitments

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

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

s) Deferred taxation

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

Notes to the Financial Statements
For the year ended 31 December 2013

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	2013 Total £m	Hospital services £m	Wellbeing services £m	Central & other £m	2012 Total £m
Incoming resources from generated funds								
Donations, gifts and legacies	-	-	0.1	0.1	-	-	0.1	0.1
Investment income	-	-	0.5	0.5	-	-	0.4	0.4
Incoming resources from charitable activities								
Normal								
Including inter-company								
Continuing	456.6	204.5	-	661.1	450.6	194.3	-	644.9
Discontinuing	4.2	-	-	4.2	11.0	-	-	11.0
Inter-company	-	-	(11.0)	(11.0)	-	-	(11.1)	(11.1)
	<u>460.8</u>	<u>204.5</u>	<u>(10.4)</u>	<u>654.9</u>	<u>461.6</u>	<u>194.3</u>	<u>(10.6)</u>	<u>645.3</u>
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	-	0.4	-	0.4
Total incoming resources	<u>467.8</u>	<u>204.5</u>	<u>(10.7)</u>	<u>661.6</u>	<u>461.6</u>	<u>194.7</u>	<u>(10.6)</u>	<u>645.7</u>
Resources expended								
Charitable activities								
Normal								
Including inter-company								
Continuing	(421.9)	(211.4)	(14.0)	(647.3)	(411.0)	(197.4)	(13.2)	(621.6)
Discontinuing	(3.2)	-	-	(3.2)	(8.8)	-	-	(8.8)
Inter-company	-	-	11.0	11.0	-	-	11.1	11.1
	<u>(425.1)</u>	<u>(211.4)</u>	<u>(3.0)</u>	<u>(639.5)</u>	<u>(419.8)</u>	<u>(197.4)</u>	<u>(2.1)</u>	<u>(619.3)</u>
Exceptional - continued	(5.8)	(24.6)	(2.6)	(33.0)	1.2	(1.1)	(0.6)	(0.5)
Retirement finance expenses	-	-	(1.9)	(1.9)	-	-	(3.4)	(3.4)
Governance costs	-	-	(2.7)	(2.7)	-	-	(2.6)	(2.6)
Interest payable	-	-	(14.9)	(14.9)	-	-	(15.3)	(15.3)
Taxation	(0.2)	0.2	-	-	(1.3)	1.3	-	-
Total resources expended	<u>(431.1)</u>	<u>(235.8)</u>	<u>(25.1)</u>	<u>(692.0)</u>	<u>(419.9)</u>	<u>(197.2)</u>	<u>(24.0)</u>	<u>(641.1)</u>
Net incoming resources	<u>36.7</u>	<u>(31.3)</u>	<u>(35.8)</u>	<u>(30.4)</u>	<u>41.7</u>	<u>(2.5)</u>	<u>(34.6)</u>	<u>4.6</u>
Share of associates net losses	-	-	(1.8)	(1.8)	-	-	(0.5)	(0.5)
Net resources incoming before transfer of funds	<u>36.7</u>	<u>(31.3)</u>	<u>(37.6)</u>	<u>(32.2)</u>	<u>41.7</u>	<u>(2.5)</u>	<u>(35.1)</u>	<u>4.1</u>
Net assets	<u>310.7</u>	<u>119.9</u>	<u>(313.0)</u>	<u>117.6</u>	<u>341.7</u>	<u>140.9</u>	<u>(341.7)</u>	<u>140.9</u>
Staff numbers (WTE)	<u>4,082</u>	<u>2,733</u>	<u>111</u>	<u>6,926</u>	<u>3,933</u>	<u>2,702</u>	<u>90</u>	<u>6,725</u>

2 Resources expended charitable activities

	Direct activities Restated		Support costs Restated		Total Restated	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Continuing activities						
Normal						
Staff and related costs	197.7	189.7	29.2	29.6	226.9	219.3
Third party fees	118.6	110.2	-	-	118.6	110.2
Supply costs	92.3	88.2	-	-	92.3	88.2
Depreciation and amortisation	52.9	49.8	7.7	7.4	60.6	57.2
Other costs	111.4	109.0	26.5	26.6	137.9	135.6
	<u>572.9</u>	<u>546.9</u>	<u>63.4</u>	<u>63.6</u>	<u>636.3</u>	<u>610.5</u>
Support costs transferred to direct activities	49.4	50.4	(49.4)	(50.4)	-	-
After recharge	<u>622.3</u>	<u>597.3</u>	<u>14.0</u>	<u>13.2</u>	<u>636.3</u>	<u>610.5</u>
Exceptional						
Staff and related costs	2.3	1.1	0.8	-	3.1	1.1
Depreciation and amortisation	28.1	(1.2)	0.7	-	28.8	(1.2)
Other costs	-	-	1.1	0.6	1.1	0.6
Total exceptional	<u>30.4</u>	<u>(0.1)</u>	<u>2.6</u>	<u>0.6</u>	<u>33.0</u>	<u>0.5</u>
Total resources expended charitable activities continuing activities	<u>652.7</u>	<u>597.2</u>	<u>16.6</u>	<u>13.8</u>	<u>669.3</u>	<u>611.0</u>
Discontinuing activities						
Normal						
Staff and related costs	0.7	1.6	-	-	0.7	1.6
Third party fees	1.8	4.5	-	-	1.8	4.5
Supply costs	0.2	0.8	-	-	0.2	0.8
Depreciation and amortisation	0.5	1.9	-	-	0.5	1.9
	<u>3.2</u>	<u>8.8</u>	<u>-</u>	<u>-</u>	<u>3.2</u>	<u>8.8</u>
Total resources expended charitable activities	<u>655.9</u>	<u>606.0</u>	<u>16.6</u>	<u>13.8</u>	<u>672.5</u>	<u>619.8</u>

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.

The analysis by cost type and classification of costs between direct activities and support costs were reviewed and as explained in accounting policy e) the 2012 comparatives were changed.

3 Support and governance costs

	2013 £m	2012 £m
Normal		
Governance		
Staff and related costs	1.8	1.7
Other costs	0.9	0.9
	<u>2.7</u>	<u>2.6</u>
Support costs normal (note 2)	<u>14.0</u>	<u>13.2</u>
Total support and governance - normal	<u>16.7</u>	<u>15.8</u>
Exceptional support costs (note 5)	<u>2.6</u>	<u>0.6</u>
Total support and governance	<u>19.3</u>	<u>16.4</u>

4 Discontinued activities

The discontinued business 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 2013 resulted in a charge of the impairments in £4.6m (2012 - reversal £1.2m) in the Hospital Division and Wellbeing Centres of £23.5m (2012 - £1.0m).

The streamlining of Wellbeing management and central costs and the operational costs of the Hospitals have resulted in unusual reorganisation costs and have been expensed as an exceptional item in 2013.

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 are treated as exceptional items in 2013.

The employment status of the self-employed workers in the Charity is being reviewed by HM Revenue & Customs. The Trustees are of the opinion that the Charity has correctly classified most of the workers but has charged to the 2012 Income & Expenditure Account and Statement of Financial Activities an amount they consider adequate to cover potential costs of defending the existing status and the tax, national insurance and penalties that may arise from errors in individual's employment status.

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

The exceptional costs are:

	2013 £m	2012 £m
Cost of services		
Increase/(reversal) of impairment of tangible fixed assets	28.1	(1.2)
Reorganisation costs	2.3	-
Employment status of workers	-	1.1
	<u>30.4</u>	<u>(0.1)</u>
Support costs		
Central office move	1.8	-
Reorganisation costs	0.8	-
Abortive fees	-	0.6
	<u>2.6</u>	<u>0.6</u>
Total charitable activities	<u>33.0</u>	<u>0.5</u>

6 Operating surplus

	2013 £m	2012 £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	0.1
Tax services	-	0.1
Total fees to the company's auditor	<u>0.4</u>	<u>0.5</u>

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.

	2013 £m	2012 £m
Depreciation on tangible fixed assets:		
On owned assets	52.1	48.1
On assets held under finance leases and hire purchase contracts for equipment and motor vehicles	3.7	3.5
	<u>55.8</u>	<u>51.6</u>
Depreciation charge (note 16)	0.6	1.6
Loss on disposal of tangible fixed assets		
Normal depreciation	56.4	53.2
Increase/(reversal) of impairment of tangible fixed assets (note 16)	28.1	(1.2)
Exceptional charge on central office move	0.7	-
	<u>85.2</u>	<u>52.0</u>
Operating surplus stated after charging or crediting:		
Amortisation of goodwill of subsidiaries (note 15)	4.7	5.9
Hire of plant and machinery (including operating lease charges)	7.0	7.9
Property operating lease rentals (2012 restated, increased by £8.0m)	32.3	29.9
Rental income from operating leases	0.5	0.5
Third party indemnity insurance	1.4	1.0

Indemnity insurance for the Trustees and officers amounted to £14,000 (2012 - £14,000).

7 Exceptional items reported after operating surplus

	2013 Total £m	2012 Total £m
Surplus on disposals of business		
Surplus on disposal of subsidiary company	6.6	-
Deficit on disposal of associate company	(0.3)	-
	<u>6.3</u>	<u>-</u>
Surplus on disposal of tangible fixed assets	0.4	0.4
	<u>6.7</u>	<u>0.4</u>

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 surplus on disposal of tangible fixed assets relates to non-core property sales.

8 Net interest payable and similar income

	2013 £m	2012 £m
Group interest receivable	0.5	0.4
Interest payable		
Bank loans and overdraft	(12.3)	(13.2)
Stakeholder bond	(0.6)	-
Finance charges in respect of finance leases	(0.4)	(0.5)
Unwinding of discounting on purchase of subsidiaries	(0.3)	(0.5)
Total interest payable	<u>(13.6)</u>	<u>(14.2)</u>
Costs in connection with loan facilities	(1.1)	(1.1)
Costs in connection with the stakeholder bond	(0.2)	-
	<u>(14.9)</u>	<u>(15.3)</u>
Retirement benefit finance costs	(1.9)	(3.4)
Total interest payable	<u>(16.8)</u>	<u>(18.7)</u>
Group net interest payable and similar income	<u>(16.3)</u>	<u>(18.3)</u>

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.

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

The level of employer contributions in the year totalled £8.4m (2012 - £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 is currently projected to recover the deficit within ten years.

The actuarial valuations have been updated by an independent qualified actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2013. 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 2013.

The main FRS 17 assumptions are:

	2013 %pa	2012 %pa
Rate of increase in medical inflation	4.4%	4.2%
Rate of increase for pensions in payment pre 1 August 2005 service	3.5%	3.3%
Rate of increase for pensions in payment post 31 July 2005 service	2.2%	2.0%
Rate of increase for deferred pensions	2.4%	2.2%
Discount rate (yield curve basis)	4.6%	4.3%
Inflation rate (CPI)	2.4%	2.2%

The post retirement mortality assumptions used to value the benefit obligation at 31 December 2013 and 31 December 2012 are based on the mortality tables S1NM/FA mc. Assumed life expectancies on retirement age at 65 are:

		2013	2012
Retiring today	Males	23.3	23.1
	Females	25.6	25.5
Retiring in 20 years time	Males	25.5	25.3
	Females	27.2	27.1

The expected long term returns on the assets are:

	Actual rate of return %	Expected rate of return %pa	2013 Value £m	Expected rate of return %pa	2012 Value £m
Growth assets	8.3%	6.7%	206.1	6.1%	193.1
Matching assets including liability hedge	(1.4%)	3.6%	71.8	3.1%	71.7

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	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Operating surplus						
Current service cost	0.8	1.3	-	-	0.8	1.3
Net interest payable/(receivable):						
Expected return on schemes' assets	(14.0)	(12.6)	-	-	(14.0)	(12.6)
Interest on schemes' liabilities	15.7	15.8	0.2	0.2	15.9	16.0
Total charged to finance expenses	<u>1.7</u>	<u>3.2</u>	<u>0.2</u>	<u>0.2</u>	<u>1.9</u>	<u>3.4</u>
Total	<u>2.5</u>	<u>4.5</u>	<u>0.2</u>	<u>0.2</u>	<u>2.7</u>	<u>4.7</u>
Actual return on assets	<u>14.8</u>	<u>8.7</u>	<u>-</u>	<u>-</u>	<u>14.8</u>	<u>8.7</u>

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

	2013 £m	2012 £m
On obligations - interest costs	8.1	(22.1)
On fund assets - expected return	0.8	(3.9)
Net actuarial gains/(losses) on defined benefit retirement schemes	<u>8.9</u>	<u>(26.0)</u>

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Fair value of schemes' asset	280.0	267.3	-	-	280.0	267.3
Present value of funded obligations	(365.3)	(367.5)	-	-	(365.3)	(367.5)
	<u>(85.3)</u>	<u>(100.2)</u>	<u>-</u>	<u>-</u>	<u>(85.3)</u>	<u>(100.2)</u>
Present value of unfunded obligations	(2.3)	(2.4)	(4.1)	(4.2)	(6.4)	(6.6)
Net liabilities	<u>(87.6)</u>	<u>(102.6)</u>	<u>(4.1)</u>	<u>(4.2)</u>	<u>(91.7)</u>	<u>(106.8)</u>

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

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Opening defined benefit obligations	(369.9)	(343.1)	(4.2)	(4.7)	(374.1)	(347.8)
Current service cost	(0.8)	(1.3)	-	-	(0.8)	(1.3)
Benefits paid	10.8	12.9	0.2	0.2	11.0	13.1
Interest cost	(15.7)	(15.8)	(0.2)	(0.2)	(15.9)	(16.0)
Actuarial gains/(losses)	8.0	(22.6)	0.1	0.5	8.1	(22.1)
Closing defined benefit obligations	(367.6)	(369.9)	(4.1)	(4.2)	(371.7)	(374.1)

The cumulative actuarial losses recognised in the statement of financial activities at 31 December 2013 were £119.0m (2012 - £127.9m).

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Opening fair value of plan assets	267.3	262.9	-	-	267.3	262.9
Expected return	14.0	12.6	-	-	14.0	12.6
Actuarial gains/(losses)	0.8	(3.9)	-	-	0.8	(3.9)
Contributions paid	8.7	8.6	0.2	0.2	8.9	8.8
Benefits paid	(10.8)	(12.9)	(0.2)	(0.2)	(11.0)	(13.1)
Closing fair value of plan assets	280.0	267.3	-	-	280.0	267.3

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

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Defined benefit obligation	(367.6)	(369.9)	(343.1)	(319.1)	(301.2)
Plan assets	280.0	267.3	262.9	249.3	228.9
Deficit	(87.6)	(102.6)	(80.2)	(69.8)	(72.3)
Experience adjustments on obligation					
Value	2.9	3.1	2.9	(2.7)	2.6
As percentage of defined benefit obligation	(0.8%)	(0.8%)	(0.8%)	0.8%	(0.8%)
Experience adjustments on plan assets					
Value	0.8	(3.9)	1.3	8.3	5.7
As percentage of plan assets	0.3%	(1.5%)	0.5%	3.3%	2.5%

The plan assets are valued at bid price.

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

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Defined benefit obligation	(4.1)	(4.2)	(4.7)	(5.2)	(5.6)
Experience adjustments on obligation	0.2	0.7	0.3	0.3	0.1

10 Defined contribution pension schemes

	2013 £m	2012 £m
The amounts charged to the income and expenditure account and statement of financial activities	7.4	5.9
Contributions owing to the pension schemes at 31 December	1.4	1.3

11 Trustees

Fees paid to the Trustees:

	2013 £	2012 £
Mr R S M Hardy	48,837	42,389
Ms J L Wesson	35,000	35,000
Mr P G McCracken	34,913	29,750
Ms F E Driscoll	34,883	35,000
Mrs J M Shaw	26,320	27,860
Mr M W Bryant	16,616	-
Dame Denise Holt	16,333	-
Ms M Cassoni	94	29,750
Mr M J Smith	-	24,500
	212,996	224,249

No other emoluments were paid to the Trustees. Travel and subsistence paid on behalf of or reimbursed to all the Trustees was £19,866 (2012 - £24,721) in the year.

12 Employees

	Number	2013 WTE	Number	2012 WTE
Average number of employees:				
Direct charitable activities	9,691	6,815	10,574	6,635
Support and governance	115	111	94	90
	9,806	6,926	10,668	6,725

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

	2013	2012
Number of employees in defined contribution pension schemes at year end	5,933	2,182
	2013 £m	2012 £m
Staff costs during the year:		
Wages and salaries	187.5	187.6
Social security costs	16.0	16.5
Other pension costs		
Defined benefit current services cost (note 9)	0.8	1.3
Defined contribution (note 10)	7.4	5.9
Agency costs	9.7	7.2
	221.4	218.5

12 Employees (continued)

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

	2013 Number	2012 Number
£60,000 to £69,999	49	61
£70,000 to £79,999	24	34
£80,000 to £89,999	26	25
£90,000 to £99,999	10	14
£100,000 to £109,999	15	10
£110,000 to £119,999	2	6
£120,000 to £129,999	7	8
£130,000 to £139,999	6	7
£140,000 to £149,999	2	1
£150,000 to £159,999	2	5
£160,000 to £169,999	6	3
£170,000 to £179,999	1	-
£180,000 to £189,999	2	2
£190,000 to £199,999	-	2
£200,000 to £209,999	-	-
£210,000 to £219,999	1	4
£220,000 to £229,999	3	-
£240,000 to £249,999	1	-
£260,000 to £269,999	-	1
£270,000 to £279,999	2	1
£290,000 to £299,999	-	1
£310,000 to £319,999	1	1
£320,000 to £329,999	1	-
£350,000 to £359,999	-	1
£370,000 to £379,999	-	1
£440,000 to £449,999	-	1
£460,000 to £469,999	1	-
£520,000 to £529,999	-	1
£640,000 to £649,999	1	-
£770,000 to £779,999	1	-
£840,000 to £849,999	-	1
	2013 £m	2012 £m
Employer contributions towards defined contribution pension schemes for higher paid employees	1.2	1.1
	Number	Number
Number of higher paid employees to whom retirement benefits are accruing under the defined contribution pension scheme	164	124

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

13 Tax on surplus on ordinary activities

	2013 £m	2012 £m
Current tax		
United Kingdom corporation tax at 23.25% (2012 - 24%) by subsidiaries	-	-

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 2013 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:

	2013 £m	2012 £m
Total incoming resources		
Normal	649.4	633.2
Exceptional	3.9	0.4
	<u>653.3</u>	<u>633.6</u>
Total resources expended		
Normal	(649.9)	(630.3)
Exceptional	(33.0)	(0.5)
	<u>(682.9)</u>	<u>(630.8)</u>
Net resources expended before transfer of funds	(29.6)	2.8
Actuarial gains/(losses) on retirement schemes	8.9	(26.0)
Net movement in funds	<u>(20.7)</u>	<u>(23.2)</u>

15 Intangible fixed assets

	Group £m	Charity £m
Goodwill		
Cost		
At 1 January 2013	76.6	53.4
Acquisitions	0.5	0.1
Disposal	(24.6)	-
At 31 December 2013	52.5	53.5
Amortisation		
At 1 January 2013	32.7	25.1
Charge for year	4.7	4.7
Disposal	(6.6)	-
At 31 December 2013	30.8	29.8
Net book value at 31 December 2013	21.7	23.7
Net book value at 31 December 2012	43.9	28.3

Goodwill is the difference between the cost of purchase and the fair value of the assets and liabilities attributed to the purchase. The disposal is that of Medica Reporting Ltd.

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

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

16 Tangible fixed assets

	Assets in course of construction £m	Freeholds £m	Long leaseholds £m	Short leaseholds £m	Equipment and motor vehicles £m	Total £m
Group						
Cost						
At 1 January 2013	22.5	232.3	50.9	86.4	486.9	879.0
Additions at cost	28.5	-	-	11.3	44.2	84.0
Disposals	(0.1)	(9.9)	-	-	(40.3)	(50.3)
Disposal of subsidiary	-	-	-	-	(1.8)	(1.8)
Transfers	(38.4)	16.8	-	5.7	15.9	-
At 31 December 2013	12.5	239.2	50.9	103.4	504.9	910.9
Depreciation						
At 1 January 2013	-	79.6	6.5	27.8	288.9	402.8
Charge for year	-	5.8	1.4	3.3	45.3	55.8
Impairment	-	1.3	3.1	-	23.7	28.1
Disposals	-	(6.1)	-	-	(38.1)	(44.2)
Disposal of subsidiary	-	-	-	-	(0.9)	(0.9)
At 31 December 2013	-	80.6	11.0	31.1	318.9	441.6
Net book value at 31 December 2013	12.5	158.6	39.9	72.3	186.0	469.3
Net book value at 31 December 2012	22.5	152.7	44.4	58.6	198.0	476.2

The gross amount on which depreciation on freehold buildings is being provided is £214.4m (2012 - £209.7m).

The net book value of equipment and motor vehicles held under finance leases and similar hire purchase contracts is £7.7m (2012 - £11.1m).

16 Tangible fixed assets (continued)

	Assets in course of construction	Freeholds	Long leaseholds	Short leaseholds	Equipment and motor vehicles	Total
	£m	£m	£m	£m	£m	£m
Charity Cost						
At 1 January 2013	22.5	221.0	51.0	90.0	483.5	868.0
Additions at cost	28.5	-	-	15.0	35.4	78.9
Disposals	(0.1)	(9.9)	-	-	(39.9)	(49.9)
Transfers	(34.9)	16.8	-	4.7	13.1	(0.3)
Transfers from subsidiaries	-	-	-	-	2.5	2.5
At 31 December 2013	<u>16.0</u>	<u>227.9</u>	<u>51.0</u>	<u>109.7</u>	<u>494.6</u>	<u>899.2</u>
Depreciation						
At 1 January 2013	-	77.3	6.6	27.2	286.7	397.8
Charge for year	-	5.8	1.4	5.3	42.5	55.0
Impairment	-	1.3	3.1	-	23.7	28.1
Disposals	-	(6.1)	-	-	(37.7)	(43.8)
Transfers	-	-	-	-	1.8	1.8
At 31 December 2013	<u>-</u>	<u>78.3</u>	<u>11.1</u>	<u>32.5</u>	<u>317.0</u>	<u>438.9</u>
Net book value at 31 December 2013	<u>16.0</u>	<u>149.6</u>	<u>39.9</u>	<u>77.2</u>	<u>177.6</u>	<u>460.3</u>
Net book value at 31 December 2012	<u>22.5</u>	<u>143.7</u>	<u>44.4</u>	<u>62.8</u>	<u>196.8</u>	<u>470.2</u>

Group and Charity

Additions during the year included capitalised internal project development costs of £0.6m (2012 - £0.2m). The interest charges and internal project development costs capitalised to date are £10.6m (2012 - £10.6m) and £11.4m (2012 - £10.8m) respectively.

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

17 Impairment

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

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

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 2014 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	26.9%	13.4%
Average growth rate beyond five years	2.1%	1.3%
Inflation rate beyond five years	2.1%	2.1%
Discount rate including risk	8.5%	10.5%

The discount rate assumptions were reviewed during the year taking into consideration the Competitions Commission publication of the sector's weighted average cost of capital (WACC) and that there is an increasing portion of clinical activity being provided from Wellbeing's sites. This has resulted in a 1.5% reduction in WACC for both divisions.

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

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

Hospital

Trading activity identified two hospitals on which an impairment test was required. The cash flow forecasts identified a charge of an impairment of £4.6m on tangible fixed assets.

The growth rates take into consideration improvements in the UK economy. A 1% change in the cash from operations amends the value in use by £0.5m. A reduction in the discount rate of 1% increases the value in use by £3.4m and an increase in the rate by 1% reduces the value in use by £3.5m.

Wellbeing

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 £0.6m. A reduction in the discount rate of 1% increases the value in use by £2.7m and an increase in the rate by 1% reduces the value in use by £2.6m.

When the actual results for 2013 replace the forecast used in the 2012 impairment calculation the impairment would increase for some sites and reduce for others, the net effect is a potential impairment increase of £2.0m. A new review was carried out at the year end which showed a further impairment of £21.5m. There is a £23.5m charge to the income and expenditure account and statement of financial activities in the year.

18 Fixed asset investments

	UK Listed invest ment £m	Unlisted invest ment £m	Total £m
Group			
Market value			
At 1 January 2013	0.1	0.3	0.4
Loss in year	-	(0.2)	(0.2)
At 31 December 2013	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>

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.

	Subsidiary undertaking £m	UK listed invest ments £m	Unlisted invest ments £m	Total £m
Charity				
Cost or market value				
At 1 January 2013	57.0	0.1	0.3	57.4
Loss in year	-	-	(0.2)	(0.2)
Additions	0.2	-	-	0.2
Disposals	(24.6)	-	-	(24.6)
At 31 December 2013	<u>32.6</u>	<u>0.1</u>	<u>0.1</u>	<u>32.8</u>
Provision for impairment				
At 1 January 2013	9.5	-	-	9.5
Charge	5.0	-	-	5.0
At 31 December 2013	<u>14.5</u>	<u>-</u>	<u>-</u>	<u>14.5</u>
Net book value at 31 December 2013	<u>18.1</u>	<u>0.1</u>	<u>0.1</u>	<u>18.3</u>
Net book value at 31 December 2012	<u>47.5</u>	<u>0.1</u>	<u>0.3</u>	<u>47.9</u>

The summary financial information of the principal subsidiary undertaking, Medica Reporting Limited, prior to consolidation adjustments but excluding donations to the Charity is set out below, showing the number of months trading as a subsidiary of Nuffield Health. This subsidiary was sold during the year.

	2013 4 mths £m	Medica 2012 12 mths £m
Number of months trading in subsidiary		
Turnover	4.2	11.0
Cost of services, support and governance costs and net interest payable	(2.8)	(7.3)
Retained gain in subsidiary undertakings	<u>1.4</u>	<u>3.7</u>
Fixed and current assets	-	6.8
Current liabilities and creditors falling due after more than one year	-	(1.8)
Net assets	<u>-</u>	<u>5.0</u>

18 Fixed asset investments (continued)

Subsidiary undertakings

The subsidiary undertakings in the Group at 31 December 2013 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 Ltd	Ordinary	100%	-	Dormant
Centre Court Tennis Ltd	Ordinary	-	100%	Dormant
Chichester Independent Hospital Ltd	Ordinary	100%	-	Subsidiary holding company
Chichester Leasing Ltd	Ordinary	-	100%	Dormant
Corby Tennis Ltd	Ordinary	-	100%	Dormant
Food Calculator Ltd	Ordinary	-	100%	Dormant
Greens Health & Fitness Ltd	Ordinary	100%	-	Consumer fitness centres
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 Healthcare 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 Ltd	Ordinary	-	100%	Dormant
Sherburne Leasing 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
Registered in Federal Republic of Germany				
Cannons Health & Fitness Gmbh	Ordinary	-	100%	Dormant

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

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

Group	2013 £m	2012 £m	
Share of fixed and current assets	-	2.5	
Share of current liabilities and creditors falling due after more than one year	-	(1.8)	
Share of net assets	-	0.7	
Share of net assets	-	0.7	
Goodwill	-	1.5	
Loans made by Group companies to associate	-	1.1	
	-	3.3	
Number of months trading as associate	2013 10 mths £m	2012 4 mths £m	
Share of turnover	-	-	
Share of operating loss after tax	(1.5)	(0.4)	
Amortisation of goodwill	(0.3)	(0.1)	
Share of operating loss	(1.8)	(0.5)	
Charity	Shares £m	Loans £m	Total £m
Cost or market value			
At 1 January 2013	2.6	1.1	3.7
Additions	-	2.8	2.8
Disposal	(2.6)	(3.9)	(6.5)
At 31 December 2013	-	-	-

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

	2013 £m	2012 £m
Purchases from associate		
Purchase of HealthScore™ licences from Quinteq	0.1	0.8
Contributions to development costs	-	0.1
Purchases of perpetual licence by waiving of debt	3.9	-
	4.0	0.9

The loan to the associate was unsecured at an interest rate of 3%. 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

	2013 £m	Group 2012 £m	2013 £m	Charity 2012 £m
Raw materials and consumables	7.4	7.3	7.4	7.3
Consignment stock not included in the balance sheet	13.3	13.4	13.3	13.4

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

	2013 £m	Group 2012 £m	2013 £m	Charity 2012 £m
Trade debtors	43.0	46.5	42.9	44.1
Amount owed by Group undertakings	-	-	7.3	141.9
Other debtors	10.8	10.6	9.4	9.5
Prepayments and accrued income	19.2	16.3	19.2	16.3
	73.0	73.4	78.8	211.8

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 £6.6m (2012 - £6.2m) due from Vanguard Healthcare Limited that is repayable no later than March 2016.

22 Creditors : amounts falling due within one year

	2013 £m	Group 2012 £m	2013 £m	Charity 2012 £m
Obligations under finance leases	3.0	3.1	3.0	3.1
Bank loans	9.0	-	9.0	-
Deferred expenses in connection with bank loans	(0.8)	(0.7)	(0.8)	(0.7)
Other loans	0.3	0.4	0.3	0.4
Trade creditors	25.7	30.0	25.8	29.6
Amounts owed to Group undertakings	-	-	9.3	157.1
Social security and other taxes	5.5	6.9	6.0	6.2
Deferred/contingent consideration	0.9	6.2	0.9	6.2
Other creditors	33.9	22.8	33.3	22.8
Pension contributions	1.4	1.3	1.4	1.3
Accruals and deferred income	53.8	51.2	53.6	50.9
	132.7	121.2	141.8	276.9

23 Creditors : amounts falling due after more than one year

	2013 £m	Group 2012 £m	2013 £m	Charity 2012 £m
Bank loans	205.0	235.0	205.0	235.0
Deferred expenses in connection with bank loans	(0.2)	(0.9)	(0.2)	(0.9)
	<u>204.8</u>	<u>234.1</u>	<u>204.8</u>	<u>234.1</u>
Stakeholder bond	18.7	-	18.7	-
Deferred expenses in connection with bond	(0.6)	-	(0.6)	-
	<u>18.1</u>	<u>-</u>	<u>18.1</u>	<u>-</u>
Other loans	0.3	0.3	0.1	-
Obligations under finance leases	4.9	7.4	4.9	7.4
Deferred/contingent consideration	2.7	3.5	2.7	3.5
Other creditors	2.0	-	2.0	-
	<u>232.8</u>	<u>245.3</u>	<u>232.6</u>	<u>245.0</u>

24 Borrowings

	2013 £m	Group 2012 £m	2013 £m	Charity 2012 £m
Borrowings are repayable as follows:				
One year or less				
Finance leases	3.0	3.1	3.0	3.1
Bank loans	9.0	-	9.0	-
Other loans	0.3	0.4	0.3	0.4
In more than one but not more than two years:				
Finance leases	2.7	3.0	2.7	3.0
Bank loans	205.0	9.0	205.0	9.0
In more than two but not more than five years:				
Finance leases	2.2	4.4	2.2	4.4
Bank loans	-	226.0	-	226.0
Stakeholder bond	18.7	-	18.7	-
In more than five years:				
Other loans	0.3	0.3	0.1	-
	<u>241.2</u>	<u>246.2</u>	<u>241.0</u>	<u>245.9</u>

The floating interest rates on bank borrowings and derivatives are based on LIBOR. The bank borrowings are secured by a fixed charge on some of the freehold properties of the Group and a floating charge on all the assets of the Charity.

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

The stakeholder bond is unsecured repayable on 2 July 2018 and is at a fixed rate of 6%.

25 Financial derivatives

The financial derivatives in place are:

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

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 2013 is a liability of £18.1m (2012 - £27.1m). The derivatives are not recognised in the balance sheet.

26 Provisions for liabilities

	Property related £m	Self insured £m	Other £m	Total £m
Group				
At 1 January 2013	5.8	1.1	0.6	7.5
Utilised in year	(2.0)	(0.2)	(0.5)	(2.7)
Charged in year	1.0	0.6	3.1	4.7
At 31 December 2013	<u>4.8</u>	<u>1.5</u>	<u>3.2</u>	<u>9.5</u>
Charity				
At 1 January 2013	3.6	1.1	0.6	5.3
Utilised in year	(1.1)	(0.2)	(0.5)	(1.8)
Charged in year	0.1	0.6	3.1	3.8
At 31 December 2013	<u>2.6</u>	<u>1.5</u>	<u>3.2</u>	<u>7.3</u>

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 £4.3m (2012 - £1.4m).

26 Provisions for liabilities (continued)

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 2013 and 31 December 2013

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 2013.

28 Analysis of net assets between funds

	Endowment	Restricted	Unrestricted	Total
		£m	£m	£m
Group fund balances at 31 December 2013 are represented by:				
Intangible fixed assets	-	-	21.7	21.7
Tangible fixed assets	-	-	469.3	469.3
Investments	0.1	-	0.1	0.2
Current assets	-	1.3	91.8	93.1
Current liabilities	-	-	(132.7)	(132.7)
Creditors : amounts falling due more than one year	-	-	(232.8)	(232.8)
Provisions for liabilities	-	-	(9.5)	(9.5)
Net assets excluding post retirement liability	0.1	1.3	207.9	209.3
Post retirement benefit liability	-	-	(91.7)	(91.7)
Net assets	0.1	1.3	116.2	117.6
Charity fund balances at 31 December 2013 are represented by:				
Intangible fixed assets	-	-	23.7	23.7
Tangible fixed assets	-	-	460.3	460.3
Investments	0.1	-	18.2	18.3
Current assets	-	1.3	97.5	98.8
Current liabilities	-	-	(141.8)	(141.8)
Creditors : amounts falling due more than one year	-	-	(232.6)	(232.6)
Provisions for liabilities	-	-	(7.3)	(7.3)
Net assets excluding post retirement liability	0.1	1.3	218.0	219.4
Post retirement benefit liability	-	-	(91.7)	(91.7)
Net assets	0.1	1.3	126.3	127.7

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

	2013 £m	Group 2012 £m
Group operating surplus	(20.8)	22.5
Exceptional items in operating surplus	33.0	0.5
Depreciation charge (note 6)	56.4	53.2
Amortisation of goodwill (note 6)	4.7	5.9
Loss on investment (note 18)	0.2	-
Earnings before interest, tax, depreciation, amortisation, exceptional items and non-cash elements of post retirement benefits	73.5	82.1
(Increase)/decrease in stocks	(0.1)	0.2
(Increase) in debtors	(0.5)	(4.8)
Increase in creditors	2.0	4.5
Increase in provisions	1.0	1.4
Total cash flow from operations	75.9	83.4
Post retirement benefits - additional cash payments	(7.8)	(7.5)
Normal cash inflow from operating activities	68.1	75.9
Exceptional cash outflow from operations		
Exceptional items in operating surplus	(33.0)	(0.5)
Increase/reversal of tangible fixed asset impairment (note 6)	28.1	(1.2)
Exceptional charge on central office move (note 6)	0.7	-
Increase in creditors	0.7	1.1
Increase in provisions	1.0	-
Total cash outflow from operating activities	(2.5)	(0.6)

30 Returns on investments and servicing of finance

	2013 £m	Group 2012 £m
Interest received	0.1	0.1
Interest paid	(12.5)	(12.9)
Interest element of finance lease rental repayments	(0.7)	(1.1)
Fees for bond issue	(0.9)	-
	(14.0)	(13.9)

31 Capital expenditure and financial investment

	2013 £m	Group 2012 £m
Purchase of tangible fixed assets	(70.5)	(52.4)
Proceeds from sales of tangible fixed assets	0.3	0.5
	(70.2)	(51.9)
Exceptional proceeds from sales of tangible fixed assets	3.8	1.0

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

Acquisition accounting is used in consolidating all the companies.

The Charity purchased the 10% of the ordinary shares it did not already own of Medica Reporting Limited in January 2013 and 100% of the nominal share capital of Jonathan Webb Limited on 14 February 2013. Medica Reporting Limited has been treated as a wholly owned subsidiary because of the contractual put and call options, therefore the payment is shown as deferred consideration for business purchased in prior years.

The cash outflow in the year comprises

	Group £m
Shares purchased in year	(0.2)
Deferred consideration for business purchased in prior years	(6.6)
	<u>(6.8)</u>

Disposal of subsidiaries

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

33 Financing

	2013 £m	Group 2012 £m
Receipts from bank loans	-	17.0
Repayment of bank loans	(21.0)	-
Receipt from issuing stakeholder bond	18.7	-
Repayment of loans	-	(2.0)
Capital element of finance lease rental payments	(3.2)	(3.4)
	<u>(5.5)</u>	<u>11.6</u>

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	17.2	(4.5)	-	12.7
Bank loans due after more than one year (note 23)	(235.0)	30.0	-	(205.0)
Bank loans due within one year (note 22)	-	(9.0)	-	(9.0)
Other loans due within one year (note 22)	(0.4)	0.1	-	(0.3)
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)	(3.1)	3.1	(3.0)	(3.0)
Finance leases due after more than one year (note 23)	(7.4)	-	2.5	(4.9)
	<u>(229.0)</u>	<u>1.0</u>	<u>(0.5)</u>	<u>(228.5)</u>

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 £0.5m.

35 Capital commitments

	Group and Charity 2013 £m	2012 £m
Contracted for but not provided in these financial statements	<u>2.3</u>	<u>20.1</u>

36 Operating lease commitments

	2013 £m	Group 2012 £m	2013 £m	Charity 2012 £m
Annual commitments under non-cancellable operating leases which expire as follows:				
Land and buildings				
Less than 1 year	0.3	0.7	0.3	0.7
Between 1 and 5 years	0.2	0.6	0.2	0.6
After 5 years	30.9	30.0	30.9	29.6
	<u>31.4</u>	<u>31.3</u>	<u>31.4</u>	<u>30.9</u>
Other				
Less than 1 year	3.2	0.1	3.2	0.1
Between 1 and 5 years	0.4	4.0	0.4	4.0
	<u>3.6</u>	<u>4.1</u>	<u>3.6</u>	<u>4.1</u>

37 Contingent liabilities

The Charity has guaranteed the bank overdraft of Healthcode Ltd, its unlisted investment, to a value of £0.1m (2012 - £0.1m).

38 Related party transactions

The Charity has no related party transactions in 2013, other than with wholly owned undertakings and an associate, and is using the exemption allowed by FRS 8 (Related Party Disclosures) not to disclose transactions with wholly owned undertakings. The related party transactions with the Group's associated undertaking are disclosed in note 19.