

**St Andrew's Group of Hospitals**  
**Annual report**  
**for the period from incorporation**  
**on 12 July 2004 to 31 March 2005**

Registered Charity Numbers: 1104951 & 202659  
Registered Company Number: 05176998



# St Andrew's Group of Hospitals

## Annual report for the period ended 31 March 2005

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### **Note: Re-organisation**

The company was formed on 12<sup>th</sup> July 2004 and on 30<sup>th</sup> July, subject to their consent, the Trustees of the Charity St Andrew's Hospital (charity registration number 202659), became members of the charitable company St Andrew's Group of Hospitals (charity registration number 1104951). The company commenced operations on 30 July 2004 (the date of transfer of the activities from the Charity to the charitable company) when it assumed the operations, assets and liabilities of the Charity. The property, including all assets and liabilities, (excluding the permanent endowment of the Charity) was transferred to the charitable company by a Scheme approved by the Charity Commissioners on 30 July 2004.

The endowed property of the former Charity remains the property of that Charity under the name of *St Andrew's Hospital*. It is anticipated that the charitable company will become the sole trustee of the Charity in 2005.

Merger accounting principles have been used and the results have been presented as if the new Group had been established throughout the current and prior years.



# St Andrew's Group of Hospitals

## Legal and administrative details for the period ended 31 March 2005

The principal address of the charitable company is:

St Andrew's Group of Hospitals  
Billing Road  
Northampton  
NN1 5DG

Directors of the charitable company since its incorporation on 12 July 2004 were:

		Appointed	Resigned
Christopher Davidge	Non Executive	12/07/2004	30/07/2004
Charles Wake	Non Executive	12/07/2004	-
Sir John Brigstocke	Executive	12/07/2004	19/10/2004
Nigel Blackham	Executive	12/07/2004	-
Stuart Richmond-Watson	Non Executive	30/07/2004	-
John Church	Non Executive	30/07/2004	-
Sir James Spooner	Non Executive	30/07/2004	-
James Mackaness	Non Executive	30/07/2004	-
James Watkins	Executive	15/10/2004	-
Christopher Oakes	Executive	15/10/2004	-
Dr Philip Sugarman	Executive	15/10/2004	-
Caroline Rose	Executive	29/04/2005	-

All non executive directors are also members, together with the majority of the trustees of St Andrew's Hospital (Charity No 202659).

The following act in a professional capacity for the charitable company:

Auditors	PricewaterhouseCoopers LLP Abacus House Castle Park Cambridge CB3 0AN
Solicitors	Hewitsons 7 Spencer Parade Northampton NN1 5AB
Bankers	National Westminster Bank Plc 41 The Drapery Northampton NN1 2EY
Investment Managers	NCL Smith Williamson Ltd Bartlett House 9-12 Basinghall Street London EC2V 5NS

Specific investment powers and their authority:

The Trustees have received authorisation from the Charity Commissioners under the power given in section 26 of the Charities Act 1993 to enter into an interest rate swap agreement in order to effectively fix the rate applicable to a variable rate loan facility.

# St Andrew's Group of Hospitals

## Report of the Directors for the period ended 31 March 2005

The Trustees, who are also directors of the company for the purpose of the Companies Act, present their first annual report, since incorporation on 12 July 2004, and the audited financial statements for the period ended 31 March 2005.

The information with respect to trustees, directors, officers and advisors set out below forms part of this report. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association, applicable Accounting Standards in the United Kingdom and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in October 2000, the Charities Act 1993 and the Companies Act 1985.

### Status

St Andrew's Group of Hospitals (the charitable company) is a charitable company limited by guarantee, incorporated on 12 July 2004 (company registered No: 05176998) and a charity registered with the Charity Commission on 16<sup>th</sup> July 2004 (charity registered No: 1104951) under the Charities Act 1960, and as a Mental Nursing Home in accordance with the Nursing Homes Act 1975 as amended by the Health Services Act 1980 and the Health and Social Services and Social Security Adjudications Act 1983 and under the Care Standards Act 2000. The charitable company is governed by ten Directors, who are the Charity's Trustees, in accordance with the memorandum and articles of the company.

The charitable company is managed on a day to day basis through a Group Management Team who report to the Directors. The directors of the charitable company are the managing trustees of the Hospital and the Group.

### Objects

The primary objects of the charitable company are to promote the healing of sickness and the relief of suffering by the establishment and maintenance of residential institutions in the United Kingdom to meet the needs of those experiencing psychiatric illness, developmental disability acquired brain injury and related disorders. The company is a national primary trading charity and aims to be the national leader in specialist mental health by investing in high quality care.

Quality at St Andrew's encompasses the delivery of appropriate care with a full appreciation of value for money together with targeted and effective application of charitable resources. St Andrew's remains committed to the tradition of working with difficult-to-treat and treatment resistant residents to enable them to lead lives which are as productive and satisfying as possible.

### Re-organisation

The company was formed on 12<sup>th</sup> July 2004 and on 30<sup>th</sup> July, subject to their consent; the Trustees of the Charity became members of the charitable company (charity registration number 1104951). The company commenced operations on 30 July 2004 (the date of transfer of the activities from the Charity to the charitable company) when it assumed the operations, assets and liabilities of the charity, St Andrew's Hospital (charity registration number 202659). The property, including all assets and liabilities, (excluding the permanent endowment of the charity) of St Andrew's Hospital (the 'Charity') was transferred to the

## St Andrew's Group of Hospitals

charitable company ('St Andrew's Group of Hospitals') by a Scheme approved by the Charity Commissioners on 30 July 2004.

The endowed property of the former Charity remains the property of the Charity under the name of St Andrew's Hospital. It is anticipated that the charitable company will become the sole trustee of the Charity in 2005.

Merger accounting principles have been used and the results have been presented as if the new Group had been established throughout the current and prior years. The consolidated statement of financial activities (SOFA) includes the results of the Group for the year ended 31 March 2005 as if the charitable company had been the parent for the whole year. The comparative figures are those previously reported for the consolidated Group. Similarly the consolidated balance sheet and cash flow statement includes the Group as though the current structure had been in place throughout the current and prior years. The balance sheet for the charitable company has no comparatives as this entity was not incorporated until 12 July 2004. The effect of other acquisitions made in the year (Three Shires Hospital Ltd.) is shown separately in the notes and referred to in the SOFA in accordance with FRS2.

### Review of activities and future developments

The Group comprises five main divisions based at Northampton and one in Essex. The Northampton divisions are managed by a *Clinical Director who is the Registered Manager* and reports to the Chief Executive.

Northampton divisions:

Adult	Chandos-Pole
Adolescent	Lowther
Brain Injury Rehabilitation	Kemsley
Older Age	Townsend
Developmental Disabilities	Smyth

Essex division:

Adult	St Andrew's in Essex
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During the year the St Andrew's Group of Hospitals has directly participated in a joint venture, over which the charitable company has effective control (this entity is therefore consolidated), with:

Cygnat Health Care Limited

Acute psychiatry at "St Andrew's at Harrow"

Acute psychiatry at Isham House, Northampton.

The Joint Venture is managed by a Chief Executive who reports to a Joint Venture Board. The charitable company has Chairmanship and a casting vote on the Joint Venture Board.

In April 2004 St Andrew's Group of Hospitals received a substantial donation from the Three Shires Charity comprising the buildings of the Three Shires medical surgical hospital together with a significant donation of cash. St Andrew's, through its subsidiary company St Andrew's Property Management Ltd., acquired a 50% holding in a new company, Three Shires Hospital Ltd. which itself had acquired the business of the Three Shires Hospital from the Three Shires Charity. The remaining 50% of the shares in this company are held by BMI Healthcare Ltd. BMI and St Andrew's Property Management Ltd. entered into a

## **St Andrew's Group of Hospitals**

shareholders agreement governing the operation of Three Shires Hospital Ltd. Three Shires Hospital Ltd. has leased the Three Shires Hospital buildings from the charitable company and entered into a management agreement with BMI to run the Hospital.

The Group continues to seek opportunities throughout the country to widen its influence in meeting psychiatric challenges in the furtherance of its aim, both independently and through partnership with other providers.

### **Adult**

Both at Northampton and Essex, the overall level of activity continued at a high level exceeding targets.

### **Adolescent**

The Lowther adolescent unit had some occupancy shortfalls during the year. A changed relationship with referrers has resulted in improved occupancy since the year end. This particular patient group is a significant challenge for the experienced teams needed to meet their needs.

### **Brain Injury Rehabilitation**

Occupancy build up at the new "follow on" unit in Berkeley Close at Northampton continued to be slower than planned but rose consistently.

### **Older Age**

This division serves the need in a range of care groups from many sources including those requiring a high level of supervision and those requiring nursing care. Occupancy has been affected by a mis-match between the availability of beds and appropriate referrals.

### **Developmental Disability**

Demand remained strong and a new specifically designed unit for younger people is under construction and due to be completed later in 2005. This will ensure that this demanding group will be appropriately accommodated.

### **Donations**

Donations received during the year totalled £5,992,418 (2004: £382,000). The majority of donations arose from one source; £5,450,431 being the net donation of cash, the Three Shires Hospital building and an associated novated loans, from the charity, the Three Shires Independent Hospital. A further substantial donation from Dalow Ltd (formerly the Three Shires Independent Hospital) is anticipated during 2005.

### **Connected charities**

The Group is connected to the charities Workbridge Enterprises Limited and Dalow Ltd (formerly the Three Shires Independent Hospital) by virtue of having trustees in common.

Workbridge Enterprises Limited provides an addition to the Group's services and facilities by way of the provision of work experience to some residents at St Andrew's.

The activities at the Three Shires Independent Hospital are expanded upon in note 19 to the accounts.





# St Andrew's Group of Hospitals

## Activities of the group companies

St Andrew's Property Management Limited, was a wholly owned subsidiary of St Andrew's Hospital (charity registration number 202659), until its shares were passed to the charitable company on 30 July 2004 along with all other assets and liabilities of the entity. It has remained as a wholly owned subsidiary of the Group throughout the period. The Company continued to carry out major construction design and build projects, and manages certain non-core sporting and recreational facilities for the Group.

The company is currently constructing Malcolm Arnold House, a residential unit for clients with a developmental disability. Further new developments at Northampton are currently being planned with construction due to start later in 2005. A development at Basildon is currently awaiting planning approval.

On 14 May 2003 the St Andrew's Property Management Limited became a 40% shareholder of STAC Healthcare Ltd. This company was specifically formed to develop new properties for use within the Joint Venture with St Andrew's Joint Venture partner Cygnet Healthcare Ltd. Cygnet Healthcare Ltd holds the other 60% of the shares in STAC Healthcare Ltd.

On 8 April 2004 St Andrew's Property Management Limited became a 50% shareholder in Three Shires Hospital Ltd., a company set up to run the business of the Three Shires Hospital.

The wholly owned subsidiary, St Andrew's Property Management Ltd. has executed a deed of covenant in favour of the charitable company donating *all its taxable profits*.

## Reserves policy

St Andrew's is a primary trading charity with a significant forward development programme. The Trustees maintain general reserves in order to be able to meet short term development commitments independently of current financial performance. During 2004 the decision was taken to self insure the first £1M of potential medical malpractice liability that for prudence requires a level of reserve. The Group is aware of a substantial deficit within its Pension Scheme which, should the stock market not recover or a high level of financial performance be maintained, will also require further funding from reserves.

## Permanent endowment (held within the Charity)

The Charity still maintains the land and original buildings on the main Northampton site as a permanent endowment. Recent building additions which have been funded from surpluses form part of the unrestricted capital of the charitable company. The results of the Charity have been consolidated into the Group, but full financial results of the Charity can be found in their annual financial statements.

In 2003/04 a consequence of the preparatory work for the transfer into the new incorporated body, was to better identify the extent of the permanent endowment of the charity. Up until the 2003 accounts only a portion of the permanent endowment of the Charity had been identified and appropriately described. The main Northampton site had not been identified as permanent endowment. In order to correct this anomaly a prior year adjustment comprising the re-classification of the main Northampton site land and buildings from unrestricted funds into the permanent endowment fund was made in the 2003/04 accounts. It has subsequently transpired, following correspondence with the Charity Commission and separate legal advice, that building additions made subsequently from the original acquisition and construction, and funded from distributable surpluses,

## St Andrew's Group of Hospitals

should not be identified as permanent endowment. As a consequence an adjustment has been made, prior to incorporation, re allocating the cost of modern building additions to unrestricted funds. Further details of the adjustment and effects upon the accounts are disclosed in Note 1.

### Results and financial performance

The financial results for the current year have been significantly increased by a substantial donation received from the Three Shires Independent Hospital (a related charity.) This donation totalling a net £5.45M, comprised the Three Shires Hospital buildings, valued at £8M, associated loans of £3.8M and a separate cash donation of £1.25M.

The company, through its subsidiary St Andrew's Property Management Ltd., also acquired 50% of the share capital of a new company, Three Shires Hospital Ltd. which operates the business of the Three Shires Hospital. The company through the Chairman's casting vote has a controlling interest in Three Shires Hospital Ltd. and the results have contributed £762,121 to the consolidated surplus for the year.

The Company continued the joint venture with Cygnet Healthcare Ltd. The results of this joint venture were a substantial improvement over the previous year contributing £1,388,187 to the consolidated surplus.

Further details of these entities may be found in note 7 to the accounts.

Occupancy increased marginally during the year following the commissioning of new capacity in 2003/04. The build up of occupancy was slower than anticipated in the new long stay accommodation, but increased steadily throughout the year. Some market related disruption was experienced in the late stages of the year. Capacity will increase further in 2005 when the new Northampton adolescent unit, Malcolm Arnold House opens.

Despite occupancy falling short of plan, overall income was significantly increased due to a preponderance of difficult to manage residents. These required a high level of care which generated associated additional income.

Further recovery in the stock market of a similar magnitude to 2003/04 helped to recover more of the ground lost on investment assets during the prior year's substantial losses.

Aside from the substantial Three Shires donation, a further £542,000 of donations was received, largely in response to specific fund raising activity for Malcolm Arnold House.

The Charitable Company holds reserves in the form of investments (separate from the permanent endowment within the Charity) of £25.8M. This is an increase of £7.1M over the previous year, £2.2M of which relates to re-valuation. These reserves are held to cover timing differences in relation to the £77M forward development program, as a reserve against self insured medical malpractice liabilities and as part cover for the defined benefit pension scheme deficit.

### Investment policy and performance

Investments are managed by the Group's Fund manager and investment performance is measured against the WM Charity Fund index monitor (constrained by Asset Mix) benchmark. The Group's investment performance for the year was a positive return of 12.14% against the benchmark positive return of 11.94%.

# St Andrew's Group of Hospitals

## Risk management

Inherent in running an organisation primarily dealing with practical mental healthcare is a robust awareness of risk, together with active recognition and management. To this end the Group has a number of risk management policies and a management group.

The process behind and the construction of the risk register has been independently scrutinised by RSM Robson Rhodes who act as internal auditor to the Group. The Audit Committee reviews the current risk register at each of its meetings, taking a broader overview on global risk drawing from the substantial experience of its members both from the commercial and insurance arenas, whilst ensuring that adequate measures are in place to appropriately deal with identified risks. The major risks to which the Group is exposed have been identified, reviewed and systems are in place to mitigate those risks. Each material risk has been allocated as the specific responsibility of a particular Director who is tasked with controlling and mitigating as necessary. Further work is underway to fully embed a culture of inherent risk awareness and management within the Group.

## Corporate Governance

At a Group level, and in agreement with the Charity Commission, the charitable company has adopted applicable and appropriate supporting principles and the provisions set out in the Combined Code on Corporate Governance of the Financial Reporting Council (the code.) The Trustees consider this to be an important safeguard in the transformation from an unincorporated charitable trust to a company limited by guarantee with a unitary board. The unitary board comprises a balance of unpaid non executive director/trustees and executive director/trustees who are also paid employees of the Group. During the year the board conducted a full review of its corporate governance policies and procedures utilising the services of RSM Robson Rhodes and believe that they now comply with applicable provisions of the combined code.

## The Board

The Board formally met seven times since incorporation in July 2004, considering forward planning and budgets, progress against current plans, future strategy, risk review and management together with major investment decisions. All directors were present at three of those meetings, a non executive director was absent from three meetings and two executive directors were absent from one other meeting. All day to day management decisions are delegated to the executive directors who operate within the Group Management Team which reports to the Board. A mix of executive and non executive directors represents the charitable company on the Three Shires Hospital Ltd, St Andrew's Property Management Ltd., and Cygnet Joint Venture Boards.

The Chairman of the Board since incorporation has been Mr H Charles Wake and Stuart Richmond-Watson was appointed Vice Chairman and senior independent director. Sir John Brigstocke was Chief Executive until he left the board on 19th October 2004. Philip Sugarman acted as Chief Executive from that date onwards until his formal appointment by the members to the position in April 2005 on the recommendation of the Nominations Committee.

The Board considers all five member non executive directors, Charles Wake, Stuart Richmond-Watson, John Church, Sir James Spooner and James Mackaness to be independent. These directors have no financial or other business relationship with the charitable company, offering their services on an unpaid and voluntary basis.

## St Andrew's Group of Hospitals

The Chairman, Charles Wake, is the Managing Partner of Courteenhall Farms, Chairman of Stewart & Allen, an engineering company, and Chairman of both Beechwood Audi and Broughtons, which are motor dealerships. He is also a member of the Agricultural Land Tribunal, sits on the Lord Chancellor's Advisory Committee for Magistrates and recently became High Sheriff of Northamptonshire.

The non-executive directors met on 1st April 2005 without the executive directors in order to review and evaluate the performance of the Board and associated Committees and in advance of the Remuneration Committee meeting later that month. On the same day the Chairman met with the executive directors in the absence of the remaining non-executive directors to evaluate the performance of the Board. The senior independent director will meet with the remaining directors in the absence of the Chairman in advance of the Annual General Meeting in order to evaluate the performance of the Chairman.

All directors meet on a quarterly basis with the members of the charitable company in order to report on the state of the business, future plans and to draw on the views and experience of the general charitable company membership. Such meetings were held in July 2004, October 2004, February 2005 and April 2005.

The Board through a rigorous risk review and informed appropriate targeting of internal audit has satisfied itself of the effectiveness of the group's system of internal controls.

### The Audit Committee

The charitable company has an Audit Committee, the terms of reference having been authorised by the Charity Commission. The Committee comprises at least three members of the charitable company, one of whom must be a member of the Board. The Audit Committee and Chairman of that Committee are appointed by the Board upon nomination by the Nominations Committee. The Chairman of the Audit Committee is Alec Foster; the Board member on the Committee is John Church. Since incorporation of the charitable company, the Audit Committee met in October 2004 and March 2005 and met previously to that in June 2004 in its capacity as Audit Committee to the Charity St Andrew's Hospital. The October meeting was attended by two members of the Committee and in March 2005 three members attended.

The Audit Committee regularly reviews risk attached to the business and through the activities of both internal and external audit satisfies itself and reports to the Board on the efficacy of the charitable company's regime of controls.

### The Remuneration Committee

The charitable company has a Remuneration Committee which comprises at least three members, all of whom must be non executive directors. The Remuneration Committee meets in April each year. The Chairman of the Committee is Stuart Richmond-Watson and it was attended by four non executive directors (Stuart Richmond-Watson, Charles Wake, Sir James Spooner and John Church) when it first met in April 2005. Non executive directors receive no remuneration or benefits from the company. The Remuneration Committee determines annually the pay and benefits package for the executive directors who are both employees of the company and Trustees of the charity. No part of their remuneration is derived from their position as Trustees. The level of remuneration is assessed based upon individual performance, industry and profession comparatives and upon the efficacy of the executive directors as part of the Board as a whole. No executive director has a non executive or other position outside the group that attracts remuneration.

# **St Andrew's Group of Hospitals**

## **The Nomination Committee**

The charitable company has a Nomination Committee which comprises at least three non executive directors, two of which must be the Chairman and Vice Chairman of the Board. Other members must be drawn from the company membership including the remaining non-executive directors. The Nomination Committee meets in April each year, on the same date as the Remuneration Committee, and other times as required. The Chairman of the Nomination Committee is Stuart Richmond-Watson; and it was attended by four non executive directors (Stuart Richmond-Watson, Charles Wake, Sir James Spooner and John Church) when it met in April 2005. No executive director or employee may be a member of the Nomination Committee. The purpose of the Nomination Committee is to nominate appropriate candidates for appointment for positions of Director (executive and non-executive); St Andrew's nominated directors of St Andrew's Property Management Ltd., Three Shires Hospital Ltd. and the Cygnet/St Andrew's Joint Venture, membership of other Board appointed Committees; the Remuneration, Audit, Investment Committees, and members of the charitable company. Board appointments must be drawn from the charitable company membership, for non executive directors and must be drawn from a group of tightly defined specific employee posts, for executive directors. Nominations are made on the basis of matching the needs of an effective Board against the available skills of the employees and members who are eligible. Nominations for membership of the charitable company, which is open to the public, are determined following a review of the skill, background and mix of the existing members, identifying specific areas where the attributes of potential candidates could strengthen the membership.

## **The Investment Committee**

The charitable company has an Investment Committee which comprises three members of the Charitable Company, one of whom is a non executive director. Meetings of the investment Committee are also attended by the Finance Director, Nigel Blackham. The Chairman of the Committee is Stephen Schilizzi who is also Chairman of the St Andrew's Group of Hospitals Pension Scheme Trustees. The non executive director member is Stuart Richmond-Watson and the third member is Alec Foster who is also Chairman of the Audit Committee. The Investment Committee met in October 2004 and March 2005. The members of the Committee have been selected specifically for their knowledge, experience and expertise in the investment arena. The Committee has two functions and reports independently on those functions to the Pension Scheme Trustees in respect of investment matters in relation to the Pension Scheme and to the Board in relation to investment matters in relation to the charitable company. The Investment Committee has no direct powers but makes independent recommendations on the appointment of fund managers, investment strategy and other investment matters regarding the separate investment funds.

## **External Audit**

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

## **Directors and their interests**

There were no interests held by any of the directors.

# St Andrew's Group of Hospitals

## Employees

Equal Opportunities as a management policy at the charitable company is designed to attract the best people and to maximise potential throughout the organisation. The charitable company is committed to providing an environment for its employees and residents which is free from any form of harassment, intimidation, bullying, victimisation or discrimination. All staff are treated openly and fairly, with dignity and respect and the organisation values their commitment towards providing quality service to all clients.

In accordance with the Recruitment and Selection and Diversity Policies and Procedures posts are advertised, and applications are invited from, prospective candidates who meet the requirements as set out in the person specification. The person specification outlines the essential requirements of a position, including any physical attributes.

Staff employed by the charitable company receive an annual Individual Performance Development Review, with a six monthly review. Individuals agree with their Manager their objectives, identify training needs and discuss their future, including any barriers to development.

## Creditor's payment policy

The company aims to pay creditors in line with agreed payment terms.

## Statement of Directors' responsibilities

The directors are required by company and charity law to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and the group and of the surplus or deficit of the group as at the end of the financial year.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 March 2005. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. 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. The Directors confirm that all investment purchases have been in accordance with their powers in the governing instrument.

## Auditors

PricewaterhouseCoopers LLP were appointed as the first auditors of the charitable company by the directors. PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



Secretary / Director

24 June 2005

# St Andrew's Group of Hospitals

## Independent auditors' report to the members of St Andrew's Group of Hospitals

We have audited the financial statements which comprise the consolidated statement of financial activities, the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement, the related notes and the accounting policies set out in the statement of accounting policies.

### Respective responsibilities of directors and auditors

The directors also act as trustees for the charitable company. Their responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the directors' report and corporate governance statement.

### Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and the group at 31 March 2005 and of the net incoming resources, including its income and expenditure and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Cambridge

28 June 2005

# St Andrew's Group of Hospitals

## Consolidated statement of financial activities for the year ended 31 March 2005

	Note	Permanent Endowment Fund £'000	Restricted Funds ⊗ £'000	Unrestricted Funds £'000	Total 2005 £'000	Total 2004 * £'000
Incoming resources from operating activities in furtherance of the charity's objectives	3	-	-	97,273	97,273	78,850
Income from investments	8a	-	9	1,313	1,322	969
Donations		-	-	542	542	382
Donation from Three Shires Hospital		-	-	5,450	5,450	-
Net gain on disposal of tangible fixed assets		-	-	112	112	1,140
<b>Total incoming resources</b>		<b>-</b>	<b>9</b>	<b>104,690</b>	<b>104,699</b>	<b>81,341</b>
Costs of activities in furtherance of the charity's objects	4(a)	-	-	(86,477)	(86,477)	(67,694)
Management and administration of the charity	4(b)	-	-	(118)	(118)	(65)
Minority interest share in joint ventures	6	-	-	(1,140)	(1,140)	(441)
Interest payable		-	-	(533)	(533)	(368)
<b>Total resources expended</b>		<b>-</b>	<b>-</b>	<b>(88,268)</b>	<b>(88,268)</b>	<b>(68,568)</b>
Net incoming resources before transfers		-	9	16,422	16,431	12,773
Transfers between funds	15(a)	-	-	-	-	-
Net incoming resources		-	9	16,422	16,431	12,773
Taxation	18	-	-	(298)	(298)	-
Gains/(losses) on revaluation and on investment asset disposals	8b	192	-	2,252	2,444	2,604
Net movement in funds		192	9	18,376	18,577	15,377
Total funds brought forward	15(a)	2,434	227	61,956	64,617	49,240
<b>Total funds carried forward</b>		<b>2,626</b>	<b>236</b>	<b>80,332</b>	<b>83,194</b>	<b>64,617</b>

The Group has no recognised gains or losses other than the net movement in funds for the year.

There is no difference between the net incoming resources and its historical cost equivalent.

All incoming resources and resources expended derive from continuing activities except as noted below in relation to Three Shires Hospital Ltd.

\* Note 2004 comparative figures are those of the predecessor parent Charity. The Group has been consolidated following merger accounting principles (i.e. as if the Group had always existed).

During the year the Group acquired a controlling interest in Three Shires Hospital Ltd. Three Shires Hospital Ltd. contributed £870,151 to the consolidated results of the Charity. It had a turnover of £10,367,174. These amounts are included within the statement of financial activities above and represent the effects of this acquisition during the year.

The aggregate assets and liabilities of Three Shires Hospital Ltd. are £4,926,897 and £1,766,595 respectively.

Further details of the results of this entity are included in Notes 6 & 7 to these accounts

⊗ Note: Restricted funds are income funds



# St Andrew's Group of Hospitals

## Consolidated summary income and expenditure account for the year ended 31 March 2005

	2005	2004
	£'000	£'000
Gross charitable income	93,842	80,936
Non-charitable trading income	10,367	-
	104,209	80,936
Charitable expenditure	(78,536)	(68,200)
Non-charitable trading expenditure	(9,497)	-
Net surplus before investment asset disposals	16,176	12,736
Gain/(Loss) on disposal of fixed asset investments	62	(184)
Interest payable and similar charges	(533)	(368)
Interest receivable	490	405
Net surplus of income over expenditure for the year	16,195	12,589

## Statement of consolidated total recognised gains and losses

	2005	2004
	£'000	£'000
Surplus	16,195	12,589
Appreciation of investments	2,382	2,788
Total recognised gains in the year	18,577	15,377
Opening funds	64,617	49,240
Closing funds	83,194	64,617

All of the surpluses above relate to continuing operations of the group except as noted on page 12 in relation to the acquisition of Three Shires Hospital Ltd.

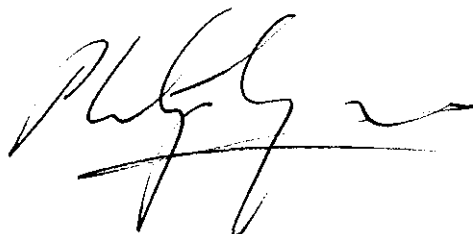
# St Andrew's Group of Hospitals

## Consolidated Balance sheet as at 31 March 2005

	Notes	Permanent Endowment £'000	Restricted £'000	Unrestricted £'000	Total 2005 £'000	Total 2004 £'000
Fixed assets						
Intangible fixed assets	9(a)	-	-	1,208	1,208	-
Tangible fixed assets	9(a)	500	-	52,471	52,971	37,120
Investments	9(a)	1,972	-	25,858	27,830	20,538
		2,472	-	79,537	82,009	57,658
Current assets						
Stock		-	-	486	486	169
Debtors	10	-	-	13,273	13,273	8,475
Cash and deposits	13	154	236	6,035	6,425	8,871
		154	236	19,794	20,184	17,515
Current liabilities						
Creditors	14	-	-	(10,987)	(10,987)	(6,358)
Bank Overdraft		-	-	(37)	(37)	(381)
		-	-	(11,024)	(11,024)	(6,739)
Net current assets		154	236	8,770	9,160	10,776
Total assets less current liabilities		2,626	236	88,307	91,169	68,434
Long term bank loan	13	-	-	(6,396)	(6,396)	(3,817)
Net assets		2,626	236	81,911	84,773	64,617
Capital employed						
Total capital account	15(a)	2,626	236	80,332	83,194	64,617
Minority interest		-	-	1,579	1,579	-
Total Funds		2,626	236	81,911	84,773	64,617

Total funds include a revaluation surplus of £5,390,000 (2004: £3,008,000) reflecting the cumulative unrealised gains made on investments held at 31 March 2005

The financial statements on pages 12 to 35 were approved by the Board of Directors on 24 June 2005 and signed on their behalf.

Members of the Board of Directors.

# St Andrew's Group of Hospitals

## Charitable company Balance sheet

### as at 31 March 2005

	Notes	Restricted £'000	Unrestricted £'000	Total 2005 £'000
Fixed assets				
Tangible fixed assets	9(b)	-	53,269	53,269
Investments	9(b)	-	25,858	25,858
			79,127	79,127
Current assets				
Stocks		-	175	175
Debtors	10	-	10,509	10,509
Joint venture account	11	-	2,017	2,017
Cash and deposits	13	236	4,655	4,891
		236	17,356	17,592
Current liabilities				
Creditors	14	-	(6,458)	(6,458)
Net current assets		236	10,898	11,134
Total assets less current liabilities		236	90,025	90,261
Long term bank loan	13	-	(6,396)	(6,396)
Net assets		236	83,629	83,865
Capital employed				
Total capital account	15(b)	236	83,629	83,865
Total Funds		236	83,629	83,865

Total funds include a revaluation surplus of £4,424,000 (2004 - ) reflecting the cumulative unrealised gains made on investments held at 31 March 2005

The financial statements on pages 12 to 35 were approved by the Board of Directors on 24 June 2005 and signed on their behalf.



Members of the Board of Directors.

# St Andrew's Group of Hospitals

## Consolidated cash flow statement for the year ended 31 March 2005

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

Notes	Permanent Endowment Fund £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total 2005 £'000	Total 2004 £'000
Net incoming resources before transfers	-	9	16,422	16,431	12,773
Tangible fixed assets - depreciation	-	-	1,788	1,788	1,178
- profit on disposal	-	-	(112)	(112)	(1,140)
(Increase)/decrease in stocks	-	-	(317)	(317)	(5)
Increase in debtors & prepayments	-	-	(3,055)	(3,055)	(254)
(Increase)/decrease in other assets	-	-	(1)	(1)	(6)
Increase/(decrease) in creditors	-	-	2,851	2,851	955
Additional pension contribution	5	-	2,200	2,200	1,300
Income from investments	-	(9)	(1,313)	(1,322)	(969)
Interest payable	-	-	533	533	368
Increase in minority interest	-	-	1,579	1,579	-
Three Shires donation	-	-	(5,450)	(5,450)	-
Net cash inflow from operating activities	-	-	15,125	15,125	14,200

### Cash flow statement

Notes	Permanent Endowment Fund £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total 2005 £'000	Total 2004 £'000
Net cash inflow from operating activities	-	-	15,125	15,125	14,200
Cash donation from Three Shires Charity	-	-	1,250	1,250	-
Additional payment into Pension Scheme	5	-	(4,000)	(4,000)	(4,000)
	-	-	12,375	12,375	10,200
Returns on investments and servicing of finance					
Interest received	-	9	538	547	348
Dividends received	-	-	716	716	399
Rental income received	-	-	116	116	165
Interest paid	-	-	(533)	(533)	(368)
Net cash inflows from returns on investments and servicing of finance		9	837	846	544
Capital expenditure and financial investment					
Purchase of tangible fixed assets	-	-	(9,908)	(9,908)	(3,261)
Sale of tangible fixed assets	-	-	297	297	1,581
Purchase of investments	(4)	-	(8,671)	(8,675)	(11,388)
Sale of investments	61	-	3,766	3,827	2,658
Net cash (outflow)/inflow from capital expenditure and financial investment	57	-	(14,516)	(14,459)	(10,410)
Total movements before financing	57	9	(1,304)	(1,238)	334
Financing					
Increase/(repayment) of bank loan	-	-	(864)	(864)	(516)
(Decrease)/increase in cash	57	9	(2,168)	(2,102)	(182)
Reconciliation of net cash flow to movement in net funds					
(Decrease)/increase in cash	57	9	(2,168)	(2,102)	(182)
Net cash outflow from financing	-	-	864	864	516
Three Shires novated bank loan	-	-	(3,800)	(3,800)	-
Change in net funds	57	9	(5,104)	(5,038)	334
Net funds at 31 March 2004		101	227	3,985	4,313
Fund allocation	(4)	-	4	-	-
Net funds at 1 April 2004		97	227	3,989	4,313
Net funds at 31 March 2005	13	154	236	(1,115)	4,313

During the year the Group acquired a controlling interest in Three Shires Hospital Ltd. Three Shires Hospital Ltd. contributed a cash inflow of £1,368,219 to the consolidated cash flow statement above

# St Andrew's Group of Hospitals

## Notes to the financial statements for the year ended 31 March 2005

### 1 Principal Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. On 30 July 2004 the assets and liabilities of the Charity ('St Andrew's Hospital') (charity number: 202659), excluding the permanent endowment, were transferred, under approval of the Charity Commission, into a new charitable company vehicle St Andrew's Group of Hospitals.

Merger accounting principles have been used and the results have been presented as if the new Group had been established throughout the current and prior years. Both entities have uniform accounting policies. As a result of the group reconstruction, the consolidated financial statements show comparative figures of the former charitable group. A summary of the more important group accounting policies, which have been applied consistently, are set out below. The charitable company has availed itself of paragraph 3(3) of schedule 4 of the Companies Act 1985 and adapted the Companies Act formats to reflect the special nature of the charitable company's activities. No separate statement of financial activities has been presented for the charitable company alone as permitted by section 230 of the Companies Act 1985 and paragraph 304 of the Charities SORP. The amount of surplus for the year for the charitable company was £7,833,482.

### Funds and reserves

The Group is financed out of three funds: unrestricted funds, restricted funds and the permanent endowment fund. Sufficient resources are held in an appropriate form to enable each fund to be applied in accordance with restrictions imposed.

#### Unrestricted funds

Unrestricted funds comprise two elements: the capital employed within the "business" of the charitable company and a general reserve fund. Capital employed within the "business" of the charitable company is not freely available for other purposes and thus an additional fund is required to support the reserves policy as set out in the trustees' report.

The general reserve fund represents funds put aside and invested in support of the requirement of the reserves policy. There is no restriction on transfer of funds between the general reserve fund and capital account.

The unrestricted funds represent funds which can be expended as the trustees see fit, in accordance with the objects of the charitable company.

#### Restricted funds

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

#### Permanent endowment fund

The permanent endowment fund represents the balance of funds originally raised on the formation of the Charity together with the original buildings that form part of that permanent endowment. This fund largely consists of the main Northampton site Land and original buildings although there are some investments and a small land holding outside Northampton. Subsequent building additions, where funded out of surpluses do not form part of the permanent endowment. The endowment fund

## St Andrew's Group of Hospitals

is held within the Charity, and has been consolidated here as the Charity is considered a wholly owned quasi-subsiidiary of the charitable company.

### Adjustment regarding permanently endowed fixed assets

Following correspondence with the Charity Commission and legal advice a reclassification of fixed assets between permanent endowment and unrestricted capital took place in the Charity prior to incorporation. Buildings subsequently constructed on the main Northampton site which were funded from surpluses have been re-classified as representing unrestricted capital, leaving only the land and buildings value representing the originally permanently endowed funds. This adjustment has resulted in an adjustment of the fund and fixed assets opening balances amounting to £19.4 million in the consolidated accounts (£20.4 million in the Charity accounts.)

### Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the valuation of investments at market value, and in accordance with the Statement of Recommended Practice (2000): Accounting by Charities and applicable accounting standards.

### Basis of consolidation

The consolidated Statement of financial activities and balance sheet include, on a line by line basis:

- The charitable company - St Andrew's Group of Hospitals;
- the financial statements of the Charity - St Andrew's Hospital
- St Andrew's Property Management Limited, an incorporated wholly owned subsidiary undertaking;
- Three Shires Hospital Ltd Limited; a subsidiary of St Andrew's Property Management Ltd., and
- the joint venture with Cygnet Healthcare Limited in which the charitable company has a controlling interest.

STAC Healthcare Limited is considered to be an associate and therefore equity accounted for in line with FRS9 within the results of the Group. A full accounting policy for Joint Ventures is included below.

The principles of merger accounting have been applied to the consolidation as the changes in the year constitute a group reconstruction under Financial Reporting Standard 6 – merger accounting. Intra-group sales and profits are eliminated on consolidation. New subsidiaries included in the Group for the first time in 2004/05 have been consolidated from the date of acquisition. A separate unconsolidated statement of financial activities for the parent charity has been omitted in accordance with paragraph 304 of the Statement of Recommended Practice, Accounting by Charities.

### Basis for recognising liabilities and provisions

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

### Basis for allocation of resources expended

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

# St Andrew's Group of Hospitals

## Fixed assets and depreciation

Intangible fixed assets - acquired goodwill is written off in equal annual instalments over its estimated useful economic life being 30 years.

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value over the expected useful lives of the assets. Only asset additions in excess of £5,000 per item or group of items are capitalised. The rates used are:-

Asset	Rate	Basis
Buildings	2%	Straight line
Fixtures, fittings and machinery	10%	Straight line
Garden implements	10%	Straight line
Motor vehicles	25%	Reducing balance
Computer equipment	25%	Straight line

No depreciation is charged on land or assets in the course of construction.

## Land and buildings

Land and buildings represents the cost of buildings incurred at various dates since the Hospital was founded. Only the cost of new buildings, extensions to existing buildings and substantial structural renovations are capitalised. Major refurbishments are regarded as repairs and dealt with in accordance with property repairs below.

## Property repairs

It is the charitable company's policy to maintain freehold properties in such condition that the value of the estate, taken as a whole, is not impaired by the passage of time. Prior to 2003/04 the trustees considered that as a consequence any element of depreciation would be immaterial and no provision for depreciation of buildings was made. The trustees have re-assessed this policy in the light of the usage and development of the estate, modern building methods and current accounting standards. It has been decided to depreciate buildings over 50 years.

## Stocks

Stock held in the Group's stores is included at the lower of cost or net realisable value.

## Leases

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

## Income

Income is received for fees and other operating activities of the charitable company. Income is accounted for when receivable and in the period in which a service has been provided. Investment income receivable is not materially different from that received in the period.

# St Andrew's Group of Hospitals

## Joint ventures

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

## Investments and investment gains or losses

Investments are shown at market value.

Long term investments, where market value is readily ascertainable, are shown at market value; where market value is not readily ascertainable then they are shown at cost, unless in the opinion of the governors, they have suffered a permanent diminution of value, when they will be stated net of impairment. Investment gains and losses, realised on disposal and unrealised on revaluation, are recognised as they occur in the statement of financial activities.

## Interest rate swaps

Income and expenditure under interest rate swap agreements are matched against the respective interest costs of borrowing in the statement of financial activities.

## Pensions

The Group operates two pension schemes, one providing benefits based on final pensionable pay and one with benefits based upon the contributions made. Contributions are charged to the statement of financial activities so as to spread the cost of pensions over employees' working lives. Any difference between the charge to the statement of financial activities and contributions payable to the scheme is shown as an asset or liability in the balance sheet. The charity makes contributions to defined contribution pension schemes on behalf of certain staff members. The cost of these contributions is charged in the accounts as incurred. Further details of these schemes can be found in note 17 on page 30.

## Irrecoverable VAT

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

## Taxation

The charitable company is potentially exempt from taxation in respect of income and capital gains received within categories covered by section 505 of the Income and Corporation Taxes Act 1988 or Section 256 of the taxation of Chargeable Gain Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The charity's subsidiary companies are subject to corporation tax and deferred tax in the same way as commercial organisations and as such liabilities are included where appropriate.

## Major Donations

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



# St Andrew's Group of Hospitals

## 2 Transfer of assets and liabilities to the new charitable company

The Group entered into a scheme, approved by the Charity Commissioners and effective 30 July 2004, whereby all operations and property of St Andrew's Hospital (assets and liabilities) except for the permanent endowment fund was transferred, at nil consideration, into the charitable company 'St Andrew's Group of Hospitals'. The net book value of the assets and liabilities into the new entity was £76,030,684 at 31 July 2004. This consisted of the following:

	£'000
Fixed assets and investments	67,697
Current assets	22,947
Current and long term liabilities	(14,613)
Net book value of assets and liabilities transferred	<u>76,031</u>

This note has been shown for entity purposes as the result on transfer of assets and liabilities is removed on consolidation of the Group when applying the principles of merger accounting in accordance with FRS6.

## 3 Incoming resources from operating activities in furtherance of the charity's objectives

	Consolidated	
	2005	2004
	£'000	£'000
Maintenance fees	91,507	74,670
Other operating income	5,766	4,180
	<u>97,273</u>	<u>78,850</u>

Maintenance fees includes £11,895,054 (2004: £9,475,729) in respect of the joint venture with Cygnet Healthcare Limited and £10,367,174 (2004 Nil) in respect of Three Shires Hospital Ltd.

## 4 (a) Costs of activities in furtherance of the charity's objects

	Consolidated	
	2005	2004
	£'000	£'000
<b>Direct charitable expenditure</b>		
Staff costs (see note 5)	65,505	53,717
Housekeeping and patients' expenses	8,976	5,203
Establishment	5,508	4,336
Administration	4,302	3,190
Advertising	148	55
Depreciation	1,788	1,178
Charge for bad and doubtful debts	250	15
<b>Total direct charitable expenditure</b>	<u>86,477</u>	<u>67,694</u>

# St Andrew's Group of Hospitals

## 4(b) Management and administration

	Consolidated	
	2005	2004
Management and administration of the Group	£'000	£'000
Reporting accountant: external audit	59	46
Other audit services – internal audit	-	19
Financial services Tax and VAT advice	12	-
Non-statutory costs of external scrutiny – internal audit	31	-
Indemnity insurance	16	-
<b>Total management and administration of the Group</b>	<b>118</b>	<b>65</b>

During the year the trustees did not receive any remuneration or reimbursed expenses from the Group other than a total of £4719 paid to 7 trustees (2004: £1,641 paid to three trustees) by way of reimbursement for travelling expenses incurred.

All the above costs have been covered from unrestricted funds.

## 5 Staff costs and emoluments

Staff costs in note 4(a) are analysed as:

	Consolidated	
	2005	2004
	£'000	£'000
Gross remuneration	55,121	45,142
Employers NI costs	4,548	3,826
Pension contributions §	3,636	3,449
Additional pension contribution §	2,200	1,300
<b>Staff costs as in Note 4(a)</b>	<b>65,505</b>	<b>53,717</b>

§ Pension costs are made up of two elements, the normal employer contributions above, an additional employer contribution of £4 million (2004 £4 million) of which £1,800,000 (2004 £2,700,000) (see Note 11) is treated in these accounts as a prepayment. The net pension charge in these accounts resulting from the additional contribution is thus £2,200,000 (2004 £1,300,000) and is included in staff costs above. The £1,800,000 prepayment adds to the 2004 £2,700,000 prepayment to give a total prepayment of £4,500,000 which represents an advance payment to be set against the actuarial deficit estimated at the end of the financial year.

The estimated average monthly number of whole time equivalent (W.T.E.) persons employed by the Group during the period was 1,894 (2004: 1,674).

	2005 W.T.E.	2004 W.T.E.
Clinical	256	220
Nursing	1,164	1,022
Support	448	409
Management	26	23

## St Andrew's Group of Hospitals

The number of employees whose total emoluments excluding pension contributions for the year fell within each band of £10,000 from £50,000 upwards is as follows:

	2005 Number	2004 Number
£50,001 to £60,000	8	11
£60,001 to £70,000	9	11
£70,001 to £80,000	10	8
£80,001 to £90,000	5	4
£90,001 to £100,000	10	8
£100,001 to £110,000	5	6
£110,001 to £120,000	3	5
£120,001 to £130,000	5	1
£130,001 to £140,000	1	1
£140,001 to £150,000	1	-
£150,001 to £160,000	1	-
£230,001 to £240,000	1	1
£440,001 to £450,000	-	1
£780,001 to £790,000	1	-

✂ The highest paid employee who was also a director, received a basic pay of £124,274 (2004 £210,000) a performance bonus of £64,000 (2004 £76,000), payment in lieu of over CAP pension of £89,042 (2004 £150,465) and taxable benefits of £6,443 (2004 £9,090). In addition the accrued pension entitlement under the defined benefit scheme was £1,425 (2004 £1,283) with a respective lump sum entitlement of £4,275 (2004 £3,850). The contract of employment of the highest paid employee was terminated on 15<sup>th</sup> October 2004. Included in the bandings above is a termination settlement amounting to £500,954.

In relation to the employees above, contributions of £20,221 (2004 £14,425) were paid in respect of 5 members (2004: 4) of the money purchase pension scheme and 49 (2004: 44) were members of, and had accrued benefits under, the defined benefit scheme (see note 17).

### Directors' emoluments

	2005 £'000	2004 £'000
Aggregate emoluments	1,367	Nil

Retirement benefits are accruing to 4 (2004: nil) directors under a defined benefit scheme.

## 6 Joint venture surplus

	2005	2004
Share of results of the Joint Venture with Cygnet Healthcare Limited providing acute psychiatry at "St Andrew's at Harrow" and Northampton:		
- Minority interest share	£'000 810	£'000 441
- St Andrew's Group of Hospitals share	1,388	775
- Cygnet Healthcare Joint venture surplus	<u>2,198</u>	<u>1,216</u>
Share of results of Three Shires Hospital Ltd., a Joint Venture with BMI Healthcare providing acute medical surgical services:		
- Minority interest share	330	-
- St Andrew's Group of Hospitals share	870	-
- Three Shires Hospital Ltd surplus	<u>1,200</u>	<u>-</u>
- Total minority interest shares	1,140	441
- Total St Andrew's Group of Hospitals share	2,258	775
Total Joint Venture surpluses	<u>3,398</u>	<u>1,216</u>

# St Andrew's Group of Hospitals

## 7 Interest in subsidiary undertakings

Investment entity	Holding (%)	Registered Office	Results for the year £'000
St Andrew's Property Management Limited <sup>1</sup>	100%	England and Wales	Net assets - £2 Surplus/Deficit - Nil
Joint venture with Cygnet Healthcare Limited <sup>2</sup>	Controlling (no shares)	England and Wales	Net assets - £2,448,218 Surplus - £2,198,084
Three Shires Hospital Limited <sup>3</sup>	50%	England and Wales	Net assets - £3,160,302 Surplus - £660,302

<sup>1</sup> At 31<sup>st</sup> March 2005 the Group's sole wholly owned incorporated subsidiary undertaking was St Andrew's Property Management Limited. This company is registered in England and Wales. The charitable company owns 100% of the two £1 ordinary shares of the company. This company manages construction projects and certain non-core sporting and recreational facilities for the Group. It had a turnover of £7,267,770 (2004: £2,283,427) and contributed a profit of £51,783 (2004: profit of £50,786) to the consolidated results. The total profit which is donated to the company by deed of covenant was £393,537 (2004 £153,296.) The balance of the profit disclosed in the statutory accounts of this company is eliminated on consolidation. The aggregate assets and liabilities of the company are £2,635,923 and £2,635,921 respectively (2004: £261,686 and £261,684).

<sup>2</sup> In addition the Group also has a controlling interest, by means of the Chairman's casting vote, in a joint venture with Cygnet Healthcare Limited. The principal place of business for the joint venture is at Bowden House, Harrow-on-the-Hill. This venture is engaged in acute psychiatry and contributed £1,388,187 (2004: £774,873) to the consolidated results of the Charity (see note 6 above). It had a turnover of £11,895,054 (2004: £9,475,729). The aggregate assets and liabilities of the joint venture are £3,400,124 and £1,522,229 respectively (2004: £3,142,998 and £1,716,157).

<sup>3</sup> The Group became an indirect shareholder of Three Shires Hospital Ltd. a company registered in England and Wales. St Andrew's Property Management Ltd. acquired 1,250,000 £1 shares on 8<sup>th</sup> April 2004 amounting to 50% of the issued share capital of the company. The Group has a controlling interest in this company through the provisions of a shareholders agreement giving the Group the power to appoint the Chairman and under certain circumstances, exercise a casting vote. Three Shires Hospital Limited operates the business of the Three Shires Hospital, an acute medical surgical hospital situated in the grounds of St Andrew's Hospital in Northampton. The accounts of this company are consolidated from 8 April 2004.

Three Shires Hospital Ltd. contributed £870,151 to the consolidated results of the Charity (see note 6 above). It had a turnover of £10,367,174. The aggregate assets and liabilities of Three Shires Hospital Ltd. are £4,926,897 and £1,766,595 respectively.

## 8(a) Investment income

	Consolidated	
	2005 £'000	2004 £'000
Dividends	727	403
Interest	490	405
Rental income	116	165
Surplus income from external funds	(11)	(4)
	<u>1,322</u>	<u>969</u>

# St Andrew's Group of Hospitals

## 8(b) Gains and losses on revaluation and on investment asset disposal

	Consolidated 2005 £'000	2004 £'000
Realised gain/(loss) on disposal of investments	62	(184)
Unrealised gain on revaluation of investment assets (see note 8c)	2,382	2,788
Net gain/(loss)	<u>2,444</u>	<u>2,604</u>

## 8(c) Investment assets

	Consolidated 2005		2004	
	Cost £'000	Market Value £'000	Cost £'000	Market Value £'000
Unrestricted funds				
General reserve investments - unrestricted	21,434	25,858	16,453	18,701
	<u>21,434</u>	<u>25,858</u>	<u>16,453</u>	<u>18,701</u>
Permanent endowment				
- investments	756	1,083	827	1,001
- Well Vale Estate	12	142	12	135
- deposits - Charity Commissioners	238	747	238	701
	<u>1,006</u>	<u>1,972</u>	<u>1,077</u>	<u>1,837</u>
Total investment assets	<u>22,440</u>	<u>27,830</u>	<u>17,530</u>	<u>20,538</u>
Surplus of market value over cost		5,390		3,008
Less prior year surplus		(3,008)		(220)
Unrealised loss on revaluation of investments for the year to 31 March		<u>2,382</u>		<u>2,788</u>

Investments are listed securities on recognised stock exchanges. The General Reserve Fund investments comprise 76% UK securities with a market value of £19,725,000 (2004: 76%, £14,224,000) and 24% non-UK securities with a market value of £6,133,000 (2004: 24%, £4,477,000). The permanent endowment investments comprise 100% UK securities (2004: 100%). The Well Vale Estate comprises tenanted farming lands of approximately 79 acres (2004: 79 acres).

# St Andrew's Group of Hospitals

## 9 Fixed assets & Investments

### (a) Consolidated

Tangible and Intangible assets	Permanent Endowment	Unrestricted funds	Unrestricted funds	Unrestricted funds	Unrestricted funds	Unrestricted funds
	Freehold land	Freehold land and buildings	Fixtures, Fittings, and Machinery	Motor Vehicles	Total tangible assets	Intangible assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost: At 31 March 2004	25,159	17,929	4,950	306	48,344	-
Adjustment regarding fund allocation	(24,659)	24,659	-	-	-	-
Cost: At 1 April 2004	500	42,588	4,950	306	48,344	-
Additions	-	16,141	1,511	29	17,681	1,351
Disposals	-	(222)	(319)	(5)	(546)	-
At 31 March 2005	500	58,507	6,142	330	65,479	1,351
Depreciation	5,257	2,551	3,195	221	11,224	-
At 31 March 2004	(5,257)	5,257	-	-	-	-
Adjustment: fund allocation (note 1)	-	7,808	3,195	221	11,224	-
Depreciation	-	896	723	26	1,645	143
At 1 April 2004	-	(46)	(312)	(3)	(361)	-
Charge for the year	-	8,658	3,606	244	12,508	143
Disposals	-	8,658	3,606	244	12,508	143
At 31 March 2005	-	8,658	3,606	244	12,508	143
Net book value: At 31 March 2005	500	49,849	2,536	86	52,971	1,208
At 31 March 2004	500	34,780	1,755	85	37,120	-

Fixed Assets Investments.	Permanent Endowment Investments	Unrestricted fund Investments	Total
	£'000	£'000	£'000
Cost: At 1 April 2004	1,077	16,453	17,530
Purchases	4	8,671	8,675
Disposals	(61)	(3,766)	(3,827)
Realised profit/(loss)	(14)	76	62
At 31 March 2005	1,006	21,434	22,440
Unrealised gains/(losses):	760	2,248	3,008
At 1 April 2004	206	2,176	2,382
Gain for the year	966	4,424	5,390
At 31 March 2005	1,972	25,858	27,830
Net book value: 31 March 2005	1,837	18,701	20,538
Net book value: 31 March 2004	1,837	18,701	20,538
Total intangible, tangible Fixed Assets and Investments	Permanent Endowment	Unrestricted fund	Total
Net book value:	2,472	79,537	82,009
At 31 March 2005	2,472	79,537	82,009
Net book value:	21,739	35,919	57,658
At 31 March 2004	21,739	35,919	57,658

£7,173,901 (2004: £512,516) of group "Land and buildings" net book value as at 31 March 2005 are assets in the course of construction.

All fixed assets are utilised in the direct charitable activities of the Group.

The current market value of land is not practically determinable without costly external professional advice and would be of doubtful value in understanding the operation of the Charity. The directors consider that such an expense would be an inappropriate application of charitable resource and thus have not disclosed the difference between market value and book value.

# St Andrew's Group of Hospitals

## 9 Contd. Fixed assets & Investments.

### (b) Charitable Company

Freehold land, buildings, fixtures fittings, machinery and motor vehicles	Unrestricted funds Freehold land and buildings £'000	Unrestricted funds Fixtures, Fittings, and Machinery £'000	Unrestricted funds Motor Vehicles £'000	Total £'000
Cost: At 12 July 2004	-	-	-	-
Transfer in of assets on 30 July 2004	53,363	4,663	324	58,350
Cost: sub-total	53,363	4,663	324	58,350
Additions	7,342	108		7,450
Disposals	(95)	(283)	(5)	(383)
At 31 March 2005	60,610	4,488	319	65,417
Depreciation at 12 July 2004	-	-	-	-
Transfer in of assets on 30 July 2004	8,198	3,135	230	11,563
Depreciation: sub total	8,198	3,135	230	11,563
Charge for the period	616	283	17	916
Disposals	(46)	(282)	(3)	(331)
At 31 March 2005	8,768	3,136	244	12,148
<b>Net book value:</b>				
At 31 March 2005	51,842	1,352	75	53,269
At 12 July 2004	-	-	-	-

Fixed Assets Investments.	Unrestricted fund Investments £'000	Total £'000
Cost: At 12 July 2004	-	-
Transfer in of assets	18,875	18,875
Purchases	5,754	5,754
Disposals	(3,319)	(3,319)
Realised profit/(loss)	124	124
At 31 March 2005	21,434	21,434
<b>Unrealised gains/(losses):</b>		
At 12 July 2004	-	-
Transfer in	2,036	2,036
Gain for the period	2,388	2,388
At 31 March 2005	4,424	4,424
<b>Net book value:</b>		
At 31 March 2005	25,858	25,858
Net book value: At 12 July 2004	-	-
<b>Total Fixed Assets and Investments</b>	<b>Unrestricted Fund</b>	<b>Total</b>
Net book value: At 31 March 2005	79,127	79,127
Net book value: At 12 July 2004	-	-

# St Andrew's Group of Hospitals

## 10 Debtors

	Consolidated		Charitable Company
	2005	2004	2005
	£'000	£'000	£'000
Trade debtors	8,254	4,764	5,741
Amounts owed by connected bodies	180	400	180
Other debtors	160	314	94
Prepayment of pension contributions	4,500	2,700	4,500
Prepayments and accrued income	179	297	(6)
	<b>13,273</b>	<b>8,475</b>	<b>10,509</b>

## 11 Joint venture account

	Consolidated		Charitable Company
	2005	2004	2005
	£'000	£'000	£'000
Due within one year	-	-	1,147
Due in more than one year	-	-	870
	<b>-</b>	<b>-</b>	<b>2,017</b>

## 12 External funds (Not included on the Balance Sheet)

	2005	2004
	£'000	£'000
<b>Assets</b>		
Investments	342	341
Cash deposits	342	236
	<b>684</b>	<b>577</b>
<b>Liabilities</b>		
Patients' deposit scheme	280	280
Deposits held on behalf of patients	404	297
	<b>684</b>	<b>577</b>

External funds represent amounts held on behalf of patients under the patients deposit scheme, and cash deposits held on behalf of patients.

Under the patients deposit scheme amounts are repayable in periods up to 5 years from the balance sheet date. Certain of the funds are invested in gilts held in a Trust Account with National Westminster Bank Plc.



# St Andrew's Group of Hospitals

## 13 Cash, deposits and bank loans

	Consolidated			Charitable Company		
	2005	Movement	2004	2005	Movement	16 July 2004
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cash and deposits:</b>						
Unrestricted working capital	3,384	901	2,483	2,509	2,509	-
General reserve funds cash	2,382	(3,905)	6,287	2,382	2,382	-
Permanent endowment funds cash	659	558	101	-	-	-
	<b>6,425</b>	<b>(2,446)</b>	<b>8,871</b>	<b>4,891</b>	<b>4,891</b>	<b>-</b>
<b>Bank overdraft</b>	<b>(37)</b>	<b>344</b>	<b>(381)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Bank loan repayable within one year, # Included within creditors, see note 14:	<b>(717)</b>	<b>(357)</b>	<b>(360)</b>	<b>(717)</b>	<b>(717)</b>	<b>-</b>
<b>Long term bank loans: #</b>						
Repayable within one to two years:	<b>(770)</b>	<b>(384)</b>	<b>(386)</b>	<b>(770)</b>	<b>(770)</b>	<b>-</b>
Repayable between three and five years:	<b>(2,668)</b>	<b>(1,329)</b>	<b>(1,339)</b>	<b>(2,668)</b>	<b>(2,668)</b>	<b>-</b>
Repayable after five years:	<b>(2,958)</b>	<b>(866)</b>	<b>(2,092)</b>	<b>(2,958)</b>	<b>(2,958)</b>	<b>-</b>
	<b>(6,396)</b>	<b>(2,579)</b>	<b>(3,817)</b>	<b>(6,396)</b>	<b>(6,396)</b>	<b>-</b>
<b>Net (debt)/funds</b>	<b>(725)</b>	<b>(5,038)</b>	<b>4,313</b>	<b>(2,222)</b>	<b>(2,222)</b>	<b>-</b>

# The charitable company has a floating rate bank facility repayable over 15 years to finance capital development. The interest rate applicable to this facility has been fixed at 7.74% for ten years by means of an interest rate swap agreement. The loan interest together with related swap income or expenditure amounted to £354,579 in the year.

## 14 Creditors: amounts falling due within one year

	Consolidated		Charitable Company
	2005	2004	2005
	£'000	£'000	£'000
Bank loan see note 13	717	360	717
Trade creditors	3,856	1,252	1,369
Taxation and social security	1,604	1,138	1,116
Amounts owed to connected bodies	833	-	217
Other creditors	606	969	455
Accruals and deferred income	3,371	2,639	2,584
	<b>10,987</b>	<b>6,358</b>	<b>6,458</b>

# St Andrew's Group of Hospitals

## 15 Capital employed

### (a) Consolidated

	Permanent Endowment Fund	Restricted funds	Unrestricted funds	Total funds
	£'000	£'000	£'000	£'000
At 1 April 2004	21,840	227	42,550	64,617
Adjustment: fund allocation (see note 1)	(19,406)	-	19,406	-
	2,434	227	61,956	64,617
Net incoming resources before revaluation and investment asset disposals	-	9	16,124	16,133
Gains and losses on revaluation and on investment asset disposal	192	-	2,252	2,444
At 31 March 2005	2,626	236	80,332	83,194

### (b) Charitable Company

	Restricted funds	Unrestricted funds	Total funds
	£'000	£'000	£'000
At 12 July 2004	-	-	-
Transfer of assets and liabilities on 30 July 2004	230	75,801	76,031
Net incoming resources before revaluation and investment asset disposals	6	5,317	5,323
Gains and losses on revaluation and on investment asset disposal	-	2,511	2,511
At 31 March 2005	236	83,629	83,865

### (c) Charitable Company

The company has no share capital and is limited by guarantee; each member has a liability limited to £1 should there be a deficit of assets after selling liabilities on winding up.

## 16 Commitments

At the year end, the capital commitments were as follows:

	Consolidated		Charitable Company
	2005	2004	2005
	£'000	£'000	£'000
Authorised, and contracted for	4,361	70	4,516

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

	Consolidated		Charitable Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Within one year	25	35	25	35
Within one to five years	87	60	87	60
After five years	-	-	-	-
	112	95	112	95

# St Andrew's Group of Hospitals

## 17 Pension Schemes

The Group operates two pension schemes, the assets of both are held separately from each other and those of the Group. The schemes are independently administered and the amounts charged in the accounts represent the contributions payable to the schemes by the employer in respect of the accounting period. On 30 July 2004 the operation of the pension schemes transferred to the charitable company. The contribution payments into each of the schemes below reflect those payments contributed from the Group, i.e. for the full year.

### **The Standard Life Group Personal Pension:**

The plan is a stakeholder exempt defined contribution pension scheme. The employee is required to contribute at least 3% of their pensionable pay. The employer contributed 3% of pensionable pay up to 31st March 2002 and subsequently 6%. The pension cost charge for the period to 30 July 2004 for this scheme was £314,487 (2004 £222,207).

### **The St Andrew's Group of Hospitals Pension Scheme**

The Group operates a trust-based occupational scheme, the St Andrew's Group of Hospitals Pension Scheme that provides benefits on a defined benefit basis. The Scheme effectively closed to new entrants from 1st April 2003 but remains open to future accrual. The assets of the scheme are held separately from those of the Group.

Employer contributions to the Scheme are charged to the Group's profit and loss account so as to spread the cost of pensions over employees' working lives with the Employer. Employer contributions are determined by a qualified independent actuary on the basis of triennial valuations using the attained age method. The most recent full actuarial valuation was carried out as at 31st March 2004. The assumptions used which have the most significant affect on the results of the valuation are those relating to the rate of return on the Scheme's assets and the rate of increase in salaries and pensions. It was assumed investment returns would be 6.5% pa pre-retirement and 5.5% pa post retirement, salary increases would average 4.25% pa and that pensions would increase in payment at 2.75% pa on average.

The pension charge for the period, assessed in accordance with actuarial advice was £6.7 million. This included £2.2 million in respect of the amortisation of experience losses that are being recognised over 13.4 years, the average remaining service lives of active Scheme members. Insurance premiums of £23,452 in respect of the Scheme's insured death in service benefits were paid in addition. The actual charge for the Group was £5.83M. (see Note 5.)

The 31st March 2004 actuarial valuation showed the Scheme had assets of £67.7 million. As at the valuation date the assets were sufficient to cover 76% of the scheme's liabilities assessed on the on-going funding basis specified above.

Regular employer contributions of 17.9% of pensionable salary were paid into the Scheme over the year to 31st March 2005 and a special contribution of £4.0 million was paid before the end of March 2005. From May 2005, regular employer contributions will increase to 21.6% of pensionable salary plus level annual amounts of £1.8 million from April 2006.

Whilst the Group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 "Accounting for Pension costs", under FRS 17 "Retirement benefits" the following transitional disclosures are required:

The actuary has carried out a full valuation as at 31 March 2004 and the results of this valuation were used to calculate the position on an FRS 17 basis as at 31 March 2005 by projecting forward members' benefits and using the value of the assets reported by the investment manager.

# St Andrew's Group of Hospitals

The major assumptions used in this valuation are:

	Valuation as at	31 March 2005	31 March 2004	31 March 2003
Rate of increase in salaries		4.25%	4.0%	3.75%
Rate of increase in pensions in payment		2.75%	2.0%	1.75%
Discount rate		5.25%	5.5%	5.25%
Inflation assumption		2.75%	2.0%	1.75%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

## Scheme assets:

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain were:

	Long-term rate of return expected at 31 Mar 2005	Value at 31 Mar 05  £'000s	Long-term rate of return expected at 31 Mar 2004	Value at 31 Mar 04  £'000s	Long-term rate of return expected at 31 Mar 2003	Value at 31 Mar 03  £'000s
Equities	7.25% pa	63,824	7.50% pa	53,257	8.00% pa	38,856
Bonds	4.75% pa	5,839	5.00% pa	7,020	4.25% pa	8,537
Property	7.25% pa	2,838	7.50% pa	0	7.50% pa	0
Cash	4.75% pa	8,940	3.50% pa	7,223	5.00% pa	2,623
Total market value of assets		81,441		67,500		50,016
Present value of scheme liabilities		101,355		76,860		71,426
Deficit in the Scheme		(19,914)		(9,360)		(21,410)

## Balance sheet presentation

	As at 31 March	2005 £'000	2004 £'000
Net assets excluding pension asset		83,194	64,617
Pension liability		(19,914)	(9,360)
Net assets including pension liability		63,280	55,257

# St Andrew's Group of Hospitals

## Reserves note

	As at 31 March	2005 £'000	2004 £'000
Net assets excluding pension asset		83,194	64,617
Pension liability		(19,914)	(9,360)
Net assets including pension liability		63,280	55,257

## Analysis of the amount charged to the statement of financial activities (SOFA)

	2005 £'000	2004 £'000
Current service cost	3,868	4,054
Past service cost	-	-
Total operating charge	3,868	4,054

## Analysis of the amount credited to other finance income

	2005 £'000	2004 £'000
Expected return on pension scheme assets	4,782	3,602
Interest on pension scheme liabilities	(4,956)	(3,750)
Net return	(174)	(148)

## Analysis of amount recognised in statement of financial activities (SOFA):

	2005 £'000	2004 £'000
Actual return less expected return on pension scheme assets	3,766	8,891
Experience gains and losses arising on the scheme liabilities	225	(320)
Changes in assumptions underlying the present value of the scheme liabilities	(17,822)	250
Actuarial (loss)/gain recognised in SOFA	(13,831)	8,821

## Movement in surplus during the year

	2005 £'000	2004 £'000
Deficit in scheme at the beginning of the year	(9,360)	(21,410)
Movement in year:		
Current service cost	(3,868)	(4,045)
Contributions	7,319	7,422
Past service costs	-	-
Other finance income	(174)	(148)
Actuarial (loss)/gain	(13,831)	8,821
Deficit in scheme at the end of the year	(19,914)	(9,360)

# St Andrew's Group of Hospitals

## History of experience gains and losses

	2005	2004
Difference between the expected and actual return on scheme assets	3,766	8,891
Amount in £'000		
percentage of scheme assets	4.6%	13.2%
Experienced gains and losses on scheme liabilities:		
Amount in £'000:	225	(320)
percentage of the present value of the scheme liabilities	0.2%	(0.4%)
Total amount recognised in SOFA:		
Amount in £'000:	13,831	8,821
percentage of the present value of the scheme liabilities	(13.6%)	(11.5%)

## 18 Taxation

As a charity, St Andrew's Group of Hospitals, is broadly exempt from tax on the income and gains arising from its charitable activities and its investments to the extent that the income and gains are applied for charitable purposes only. Taxation charge of £298K (2004: nil) represents the Group's share of tax suffered by joint ventures and subsidiary companies.

## 19 Connected charities and associated company

The Group is connected to the charities below by virtue of having trustees in common:-

### (a) Workbridge Enterprises Limited

Workbridge Enterprises Limited, The Old Laundry, Bedford Road, Northampton NN4 7AD is a company limited by guarantee whose object is to provide employment for socially and mentally disabled members of the community. The governors and employees of St Andrew's hold the majority of voting rights in the company. The financial statements of Workbridge Enterprises Limited have not been consolidated into these financial statements, in accordance with Financial Reporting Standard 2 "Accounting for subsidiary undertakings", as they are deemed to be immaterial.

### (b) Three Shires Independent Hospital

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

### (c) STAC Healthcare Limited

This company is considered to be an associated company of the Group as St Andrew's Property Management Limited is a 40% shareholder of STAC Healthcare Ltd. The company was specifically formed to develop new properties for use within the Joint Venture

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with St Andrew's Joint Venture partner Cygnet Healthcare Ltd. Cygnet Healthcare Ltd holds the other 60% of the shares in STAC Healthcare Ltd.

### 20 Related party transactions

The Group has not entered into any material transactions with related parties or Trustees during the year which require disclosure under FRS 8 except as noted below.

Material transactions between the connected charities and the associated company comprise:

	2005	2004
	£	£
<b>Workbridge Enterprises Limited</b>		
Rent receivable on leasehold land	45,000	45,000
Management and facility services	1,369	741
Interest receivable on loan	-	-
Work experience therapy purchased	(265,992)	(291,117)
	2005	2004
	£	£
<b>Three Shires Independent Hospital</b>		
Rent receivable on leasehold land	789	36,000
Management and facility services	200	8,578
	2005	2004
	£	£
<b>STAC Healthcare Ltd</b>		
Rent payable to STAC Healthcare Ltd. on land and buildings leased by the St Andrew's Group of Hospitals and Cygnet Healthcare Joint Venture	150,000	18,750

Transactions with the Cygnet Healthcare Joint Venture are detailed in notes 6 and 11.

### 21 Related party balances

Included within debtors and (creditors) the following material balances between the connected charities and the associated company comprise:

	Consolidated		Charitable Company
	2005	2004	2005
	£	£	£
<b>Workbridge Enterprises Limited (creditor)</b>	(17,148)	(19,151)	(17,148)
<b>Three Shires Independent Hospital (Dalow Ltd) (creditor)/debtor</b>	(200,000)	22,539	(200,000)
<b>STAC Healthcare Ltd. debtor</b>	274,625	247,602	-

The Trustees of the Three Shires Independent Hospital held a Put Option under which St Andrew's Hospital may be required, at any time within ten years from October 1998, to purchase for the sum of £4.8M, the buildings comprising the Three Shires Hospital, which are held under a ground lease from St Andrew's Group of Hospitals. The Trustees of St Andrew's Group of Hospitals have taken professional advice which indicates that the value to them, of the Three Shires Hospital lease, would not be less than the option purchase price of £4.8M.

The Put Option was surrendered on 8th April 2004 simultaneously with the surrender of the ground lease, the effect of which was to donate the buildings comprising the Three Shires Hospital to St Andrew's Group of Hospitals. (see Note 19(b)).

### 22 Ultimate controlling organisation

The parent organisation is St Andrew's Group of Hospitals, a charitable company incorporated in England.