

St Andrew's Healthcare
(formerly St Andrew's Group of Hospitals)

Annual Report
for the year ended 31 March 2007

Registered Charity Number 1104951
Registered Company Number 5176998

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St Andrew's Healthcare (formerly St Andrew's Group of Hospitals)

Annual Report for the year ended 31 March 2007

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St Andrew's Healthcare (formerly St Andrew's Group of Hospitals)

Legal and administrative details for the year ended 31 March 2007

The principal address and registered office of the charitable company is
 St Andrew's Healthcare
 Billing Road
 Northampton NN1 5DG

Directors and Trustees of the charitable company during the year were

Charles Wake	Non-executive Chairman	
Stuart Richmond-Watson	Non-executive & Deputy Chairman	Re-appointed 28/07/06
Dr Philip Sugarman	Chief Executive & Medical Director	
John Church	Non-executive	
James Mackaness	Non-executive	Re-appointed 28/07/06
Sir James Spooner	Non-executive	Re-appointed 28/07/06
Christopher Oakes	Executive	
Caroline Rose	Executive	
James Watkins	Executive	
Nigel Blackham	Executive & Company Secretary	Resigned as a director 02/04/07

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

Duncan Orme was appointed as a director on 2 April 2007

The following act in a professional capacity for the charitable company

Auditors	PricewaterhouseCoopers LLP Abacus House Castle Park Cambridge CB3 0AN
Internal Auditors	RSM Robson Rhodes LLP Centre City Tower 7 Hill Street Birmingham B5 4UU
Solicitors	Hewitsons 7 Spencer Parade Northampton NN1 5AB
Bankers	National Westminster Bank plc 41 The Drapery Northampton NN1 2EY
Investment Managers	Smith Williamson Ltd 25 Moorgate London EC2R 6AY

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 Healthcare (formerly St Andrew's Group of Hospitals)

Report of the Directors for the year ended 31 March 2007

The Trustees, who are also directors of the company for the purpose of the Companies Act 1985, present their third annual report, since incorporation on 12 July 2004, and the audited financial statements for the year ended 31 March 2007

The information with respect to trustees, directors, officers and advisors disclosed in the legal and administrative details section 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 March 2005, the Charities Act 1993 and the Companies Act 1985

Status

On 9 August 2006, St Andrew's Group of Hospitals changed its name to St Andrew's Healthcare. St Andrew's Healthcare (the charitable company) is a charitable company limited by guarantee, incorporated on 12 July 2004 (company registered no. 5176998) and a charity registered with the Charity Commission on 16 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.

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 charitable 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 challenging difficult-to-manage residents to enable them to lead lives which are as productive and satisfying as possible.

Strategy

The strategy adopted by the charitable company in pursuit of its objects is to re-provide and expand facilities at existing locations and to create new specialist facilities located closer to where those in need of them are referred. In order to do this the charitable company will invest in the skills of all of its people in an open and trusting way taking an integrated approach to healthcare governance. The charitable company will safeguard its residents and achieve beneficial health outcomes which, together with sound business performance, will amount to an outstanding outcome for beneficiaries.

Aims and objectives for 2006/07

During 2006/07 the primary objectives were to promote the healing of sickness and the relief of suffering by the establishment and maintenance of residential institutions as set out in Objects above. These objectives were met through increased and improved facilities at Northampton with the refurbishment and occupation of accommodation released on the commissioning of Malcolm Arnold House and the continued construction of a new facility for women, Smyth House. Contracts were also exchanged to purchase additional land adjoining the main Northampton campus which will facilitate future expansion. Local NHS purchasers aided the charitable company in meeting its aim by making significant capital grant monies available to support the acquisition and development of expanded accommodation on this site.

St Andrew's Healthcare (formerly St Andrew's Group of Hospitals)

Facilities at Clare House Essex were expanded by the construction of a new extension which opened in April 2007. Two new sites were acquired for further geographical development in the West Midlands and Nottinghamshire. Work on the West Midlands site started in April 2007.

The charitable company again further increased the number of residents accommodated, exceeding occupancy targets set at the beginning of the year and making further progress in the development of clinical outcome measures.

Aims for the future

In addition to the land acquired during the year, the charitable company also sought other sites throughout England to increase geographic coverage. Additional capacity constructed on these sites will enable the charitable company to meet the needs of an increased number of residents closer to their place of referral. Other potential sites have been located and it is aimed to acquire those that prove to be appropriate in due course. The charitable company aims in 2007/08 and thereafter, to commence construction of a range of facilities to further meet the needs of those who fall within the charitable objects. The search for other potential sites throughout the country will continue as long as it is clear that there are insufficient places to house those in need of care and the charitable company is in a position to economically fund the construction and commission of such facilities with an appropriate financial return.

One of the main risks for the future development of the charitable company is that it might not be possible to locate suitable sites and obtain planning permission that will enable the desired rate of expansion in a financially viable way.

Review of activities and performance of divisions

The Group comprises five main divisions based at Northampton and one in Essex. The divisions are each managed by a Clinical Director who is the Registered Manager and reports to the Chief Executive. In order to more appropriately address demand, the Northampton divisions were reconfigured and re-named during the previous year to make their field of activity more easily recognisable to those who wish to place residents with the charitable company. Income and expenditure within these divisions is as set out in Notes 3 and 4 of the financial statements.

The current divisions are as follows -

Northampton divisions

- Adult Men's Service (including mental health and learning disability)
- Adult Women's Service (including mental health and learning disability)
- Adolescent Service (including mental health and learning disability)
- Brain Injury Rehabilitation (within the Kemsley National Centre)
- Older age (including Huntington's disease services)

Essex division

- Adult women's and men's mental health

Overall activity expressed as a measure of utilisation of capacity was greater than that planned, this, together with a shift towards more difficult to manage residents, resulted in an increase in income above that planned.

A significant proportion of the company's income arises through referrals from the National Health Service. Historically, the NHS demand has been depressed during the final quarter of the financial year reflecting their tightening funding at that time.

Although in 2006/07 NHS finances were under greater pressure than in previous years, this did not have a significant practical effect on occupancy this year, but did cause some disruption in the

collection of debts. Significant discounts were granted to some primary care trusts in recognition of the volume of referrals and the partnership between the NHS and charitable company.

Key Performance Indicators

St Andrew's has a "Balanced Scorecard", an advanced and comprehensive set of key performance indicators including clinical standards, health outcome, clinical risk management, therapeutic activity, market activity, as well as staff and financial indicators. Generally the business and related indicators mirror that which any large complex organisation requires to properly monitor and manage performance. However the clinical and healthcare indicators incorporate novel types of clinical audit as well as accepted tools such as HoNOS-secure. The latter is a version of the Health of the Nation Outcome Scales developed at St Andrew's, in association with the Royal College of Psychiatrists Research Unit. Where appropriate, target levels for these indicators are set and the actual performance against these targets together with developing trends are regularly reviewed at board level and in more detail at divisional management level. Focus on these indicators has been associated with a demonstrable improvement in performance across the board.

Divisional Activity:

Adult Men's and Women's

Both at Northampton and Essex, the overall number of residents helped by the charitable company continued at a high level. Although the Essex unit activity was just short of target, the financial result was on plan although less than the previous year. This was due to pre-opening costs associated with the extended facilities. Because of this high level of demand the charitable company is expanding at both the Northampton and Essex locations and elsewhere. This expansion gives rise to the majority of the £39.7M capital commitments disclosed in note 16 to the financial statements.

Adolescent

The Adolescent service benefited from increased capacity on the opening of Malcolm Arnold House during last year. This particular group of residents is a significant challenge for the experienced teams required to meet their needs. This has resulted in a shortfall in the activity during the year although the financial performance still exceeded plan.

Brain Injury Rehabilitation

Activity was just above plan for the year and income boosted by particularly demanding residents requiring additional care. As a result the division exceeded its financial targets for the year.

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. The division met its activity targets but was short on income due to a varied dependency mix. The division still managed to exceed its financial targets for the year through tight cost control.

Activities of Group Entities

The performance of the group entities described below is disclosed in note 7 to the financial statements.

St Andrew's Property Management Ltd

St Andrew's Property Management Ltd was a wholly owned subsidiary of the charitable company throughout the year. The company continued to carry out major construction design and build projects, and manages certain non-core sporting and recreational facilities for the Group.

During the year the company continued with the construction of Smyth House at Northampton and a further expansion of Clare House in Essex. Further new developments at Northampton are being planned with construction due to start after the completion of the purchase of additional land adjacent to the main site. As previously mentioned under "aims for the future," another development in the West Midlands has now started and further land in Nottinghamshire has been purchased. Other potential site opportunities are under negotiation.

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

Three Shires Hospital Ltd

The Three Shires Hospital is an acute medical surgical hospital located within the grounds of the main St Andrew's Northampton site. St Andrew's, through its subsidiary company St Andrew's Property Management Ltd, has a 50% holding in Three Shires Hospital Ltd. The remaining 50% of the shares in this company are held by BMI Healthcare Ltd. BMI and St Andrew's Property Management Ltd are parties to a 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 has a management agreement with BMI to run the Hospital. The charitable company has ultimate control over this company by means of the chairman's casting vote which may be exercised under some specifically defined circumstances.

The St Andrew's Group of Hospitals/Cygnnet Joint Venture

The charitable company continued to directly participate in an unincorporated joint venture, over which it has effective control (this entity is therefore consolidated), with

Cygnnet 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. By mutual agreement between the partners the Joint Venture was dissolved on 1st September 2007 with the Isham House business reverting to St Andrew's and the "St Andrew's at Harrow" businesses continuing with Cygnnet.

STAC Healthcare Ltd

St Andrew's Property Management Ltd is 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 Cygnnet Healthcare Ltd. Cygnnet Healthcare Ltd held the other 60% of the shares in STAC Healthcare Ltd. As part of the dissolution arrangements in relation to the St Andrew's Cygnnet Joint Venture, St Andrew's Property Management Ltd sold its 40% shareholding in STAC Healthcare Ltd to Cygnnet Healthcare Ltd on 1st September 2007.

Connected Charities

The Group is connected to the charity Workbridge Enterprises Ltd by virtue of having trustees in common

Workbridge Enterprises Ltd 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

Donations

Donations received during the year were £5,031,000 (2006 £1,846,489) £5M of this related to capital grants received from the NHS (see Business review below) in support of a land purchase in Northampton. The previous year donations were also substantially higher than that which is normally expected due to a single amount of £1,385,288 being a donation of cash on the winding up of Dalow Ltd (formerly the charity, the Three Shires Independent Hospital)

Reserves policy

St Andrew's is a primary trading charity with a significant forward development program. The charitable company is committed to substantial development costs in relation to new facilities in the West Midlands, these give rise to the majority of the capital commitments of £39.7M (2006 £17.3M in relation to Smyth House and Clare House) disclosed within the note 16 to the financial statements.

Total funds carried forward as disclosed in the SOFA on page 16 are £105.5M (2006 £91.6M). The group has £86.25M (2006 £62.3M) invested in tangible fixed assets which are not available for other uses. 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 pension deficit of £3.9M (2006 £4.0M) is recognised on the balance sheet, should the stock market not perform to expectation or a high level of financial performance not be maintained, this deficit will require additional funding.

The trustees maintain general reserves in the form of stock market investments and cash in order to be able to meet short term development commitments independently of current financial performance. The charitable company is able to finance existing commitments from current cash flow together with the disposal of a proportion of the investments designated as general reserves. Having in mind the above variables and after taking advice from the investment committee, the board has taken the view that it is appropriate at this time, for the Charity and charitable company to retain about £10M of investments representing free reserves.

Loan facilities have been negotiated with the charitable company's banker in order to be able to best meet short to medium term cash flow requirements.

The precise level and mix of funding for projects between investment disposal and loan finance will be decided upon having in mind the market conditions at the time the finance is required.

At the year end free reserves, after taking into account existing commitments and allowing for an insurance reserve were approximately in line with the target.

As reported under "Aims for the future" terms for the acquisition and development of other sites are under negotiation. In order not to delay these developments the board has decided that alternatives will be sought to finance such expansion. If these prospects came to fruition then the charitable company would need to meet the demand on capital by further disposal of investments and by utilising the external loan finance facilities that are in place.

The policy on capital funding and the level of reserves is reviewed annually and at the time each major element of expenditure becomes a firm commitment.

Permanent endowment (held within the Charity)

The Chanty, St Andrew's Hospital, maintains the land and original buildings on the main Northampton site as a permanent endowment. St Andrew's Hospital is an unincorporated trust that exists solely to act as custodian of the permanent endowment of the original charity.

Following correspondence with the Charity Commission and separate legal advice, building additions made subsequently from the original acquisition and construction, and funded from distributable surpluses, are not identified as 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.

Throughout 2006 and 2007 the charitable company has continued to discuss with the Charity Commission precisely how the separation from the permanently endowed land and buildings, of those subsequently constructed and financed from unrestricted funds, should be formalised. These discussions are nearing a close and it is planned that the Charity will regularise the occupation of the permanent endowment land and buildings by the charitable company St Andrew's Healthcare through the grant of a lease or leases. At the time this report and financial statements were signed this arrangement has not been finalised. The trustees have reported in the same format as they did in 2006 pending finalisation as this treatment is consistent and corresponds with that which is expected to be adopted on the grant of the leases (see also note 23 to the financial statements).

Business review / results and financial performance

The overall financial results, excluding the effects of the introduction of FRS 17 last year, have remained consistent at £15.08M (2006 £14.97M).

Although the financial results for the current year have benefited from substantial capital grants totalling £5M received from two local NHS purchasers, charitable and other discounts amounting to £5.5M have been granted in respect of a number of residents. In the previous year no NHS capital grants were received but a smaller donation was received from Dalow Ltd as set out in "Donations" on page 6.

The Three Shires Hospital Ltd have contributed £721,000 (2006 £625,000) to the consolidated surplus for the current year. The Company continued with its joint venture with Cygnet Healthcare Ltd. The results of this joint venture were a deterioration over the previous year contributing £92,000 (2006 £1,116,000) to the current year consolidated surplus. Following a review of the activities and profitability of this venture agreement was reached with Cygnet Healthcare Ltd to terminate the venture on 1st September 2007.

Further details of these entities may be found in notes 6 and 7 to the financial statements.

The group is exposed to the following significant business risks:

Market risk

As stated earlier in this report a significant risk for the charitable company arises from financial pressures within the NHS which could limit the volume of referrals. In fact overall occupancy for the year was ahead of plan but weakened slightly towards the year end. Income was significantly increased due to high occupancy and a preponderance of difficult to manage residents. These required a high level of care which generated associated additional income. Despite some additional cost the additional income again resulted in a financial return greater than that originally planned. This is in contrast with the experience of many providers operating in the independent sector who struggled with low occupancy throughout the year.

Pricing risk

The charitable company's pricing strategy is set to mitigate the occupancy risk associated with financial pressure on the NHS by ensuring that although above average quality is offered the

prices charged fall in general proportionately lower than the independent market norm. It is the organisation's intention to closely scrutinise costs in order to ensure that margins allow further room for manoeuvre should price competition harden.

Investment risk

Other risks facing the charitable company arise from the state of the stock markets, these impact upon both the pension deficit and the valuation of charitable company investments. Further recovery in the stock market helped to make up more of the ground lost on investment assets that arose prior to 2004/05. The charitable company has pursued a conservative funding policy, borrowing against loan facilities in advance of commitment to secure lower interest rates and to avoid the risks associated with necessary investment liquidation in uncertain markets. Since the year end and a recovery in markets, the charitable company has embarked upon some managed investment liquidation in anticipation of development costs.

The charitable company holds investments (separate from the £2.52M (2006 £2.35M) permanent endowment investments within the Charity) of £27.7M (2006 £30.1M). Overall investments decreased by £2.17M below the previous year because of liquidations to fund development costs and after taking account of investment revaluations. As set out in the reserves policy, these investments are held to cover timing differences in relation to the forward development program, as a reserve against self-insured medical malpractice liabilities and as part cover for the defined benefit pension scheme deficit.

Other risks

For many years the charitable company has successfully demonstrated that new buildings constructed to accommodate long term residents could be classified as "relevant residential" for VAT purposes. This allowed the recovery of VAT on the construction of such buildings as they could be zero rated. HM Revenue and Customs have challenged this position on the construction of Malcolm Arnold House which was completed in 2005. The charitable company through its subsidiary St Andrew's Property Management Ltd, has appealed against this ruling, the appeal has not yet been determined.

Pending this determination, VAT has been included as part of the capital cost of Malcolm Arnold House, Clare House Phase II in Essex and Smyth House within the financial statements. This is a further substantial risk for the organisation as if zero rating is not achieved, then the cost of buildings in the forward development program will be effectively increased by 17.5%.

A further risk was demonstrated during 2005/06 where achieving planning consent for further expansion at the Essex site took in excess of a year longer than anticipated. It is likely that for some potential sites, appropriate planning permission may not be obtained.

The directors consider the performance of the group to be appropriate and consistent with the size and operating environment of the organisation but can see areas where improvement is possible for the future.

Investment policy and performance

Investments are managed by the Group's Fund manager on a discretionary basis without restrictions regarding social, environmental or ethical considerations. 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 8.35% (2006 28.42%) against the benchmark positive return of 7.89% (2006 25.33%).

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 risk management group. Some of the key risks currently facing the organisation have been detailed above in the business review / results and financial performance.

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 St Andrew's Healthcare Group.

The Audit Committee regularly reviews the current risk register at 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 organisation 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 organisation.

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. 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 comply with applicable provisions of the combined code.

The Board

The Board formally met twenty-seven times since incorporation in July 2004 and ten times during the year ended 31 March 2007, considering forward planning and budgets, progress against current plans, future strategy, risk review and management together with major investment decisions. Over the year to 31 March 2007, all directors were present at five of those meetings, a single non-executive director was absent from five meetings. All day to day management decisions are delegated to the executive directors who operate within the executive director's 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 Charles Wake and Stuart Richmond-Watson was appointed Vice Chairman and senior independent director. Philip Sugarman was Chief Executive throughout the year.

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.

The Chairman, Charles Wake, is the Managing Partner of Courteenhall Farms, and Chairman of the following companies: Stewart & Allen Ltd, an engineering company, Broughtons of Cheltenham Ltd, a small group of motor dealerships, and SP Broughton & Co Ltd, a property owning and holding company. He is a director of the North Northamptonshire Development Company, a member of the Agricultural Land Tribunal and a member of the Lord Chancellor's Advisory Committee for Northamptonshire.

The non-executive directors met on 30th March 2007 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 in April 2007. The senior independent director also met with the remaining directors on 30th March 2007 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 April 2006, July 2006, October 2006, February 2007 and April 2007.

The Board through a rigorous risk review and informed appropriate targeting of internal audit has appraised itself of the effectiveness of the group's system of internal controls and where deficiencies have been identified, appropriate remedial action is being planned and implemented.

The Trustees

The executive members of the board are selected through their job title as set out in the memorandum of association. Prior to appointment, executive directors are subject to a rigorous assessment as to their suitability and competence for the position as set out in their job specification. At this time they will receive an induction into the organisation specifically tailored to their assessed needs. They are then, subject to the recommendation of the nominations committee, appointed by the members to the board.

Non-executive members of the board are drawn from the membership of the charitable company on the basis of the specific expertise and experience that they are able to contribute to build a diverse and balanced team of executives and non-executives. It is the function of the nominations committee to assess, as vacancies arise across the membership of the charitable company, the required attributes of any new proposed members to ensure that the membership not only provides a flexible pool of potential non-executive directors, but also creates a membership that appropriately reflects the varied needs of the beneficiaries of the charity.

As described above the board informs the membership of the charitable company on a quarterly basis through regular meetings and events. It is through these meetings, regular individual visits to specific areas and involvement in committees that the membership is appropriately inducted and trained in the operation of the group. As non-executive board vacancies arise, the nominations committee, drawing on the experience of the regular exposure of the membership, will, having regard to the required attributes of the board member, nominate a suitable candidate to the membership for appointment. On appointment any specific deficiencies or training requirements will be identified and a further suitable induction program implemented. On a quarterly basis the non-executive directors meet with the executive directors for facilitated context based training. This training is designed to orient the non-executive directors to the peculiarities of the business, regulatory environment, market background and competitor activity with the intention of maximising the performance of the board.

The Executive Directors' Team

The executive directors together with the company secretary, meet on a monthly basis as a team. Decision making within the company is governed by a policy on authorisation and limits of authority. Major strategic and policy decisions are made by the board. Operational decisions are delegated in a structured way down through the executive directors to management in line with the policy. A number of group wide development boards report to the executive directors ensuring that corporate activities and projects are implemented in a coherent manner. Each operating division has its own management team which periodically meets with the executive directors to forward plan, monitor and review progress against plan and agree consequent activities required. A program and risk management board oversees and monitors the development boards assessing progress against plan whilst monitoring and reporting on risk to report to the Executive Directors' team and the Audit Committee.

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. The other members, drawn from the membership of the charitable company are Robert Heygate, and Sir John Robinson who both served throughout the year. The Audit Committee met in June 2006, October 2006, March 2007 and June 2007.

The June 2006 meeting was attended by four members of the committee, the October meeting was attended by two members of the Committee, the March meeting was attended by three members of the Committee and in June 2007 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) with one member (Sir John Robinson) in attendance when it met in April 2007. Non-executive directors and members 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.

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, it was attended by four non-executive directors (Stuart Richmond-Watson, Charles Wake, Sir James Spooner and John Church) together with two members (Sir John Robinson and Lady Juliet Townsend) when it met in April 2007. 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, as set out in "The Trustees" above, 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 Secretary, Nigel Blackham who was also Finance Director throughout the year. 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 April, July, October and November 2006, February and May 2007. The members of the Committee have been selected specifically for their knowledge, experience and expertise in the investment arena. 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.

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. Equal opportunities in this context includes as far as practicable equal opportunities for those with a disability. 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.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the charitable company continues and the appropriate training is arranged. It is the policy of the charitable company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

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.

There is a monthly team briefing that cascades information throughout the whole organisation. Staff are regularly consulted on specific matters that affect the group and their employment.

Creditor payment policy

The charitable company aims to pay creditors in line with agreed payment terms, with the average creditor days being below 30

Statement of Directors' responsibilities

The directors are required by company and charity law to prepare the financial statements for each financial year on a going concern basis, unless it is inappropriate to presume that the company will continue in business. The financial statements should 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 2007. The directors also confirm that applicable accounting standards have been followed.

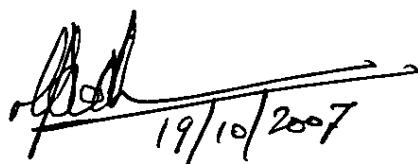
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for 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.

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to appoint auditors will be proposed at the AGM.

By order of the Board



19/10/2007

N M Blackham
Secretary

St Andrew's Healthcare (formerly St Andrew's Group of Hospitals)

Independent auditors' report to the members of St Andrew's Healthcare

We have audited the group and parent charitable company financial statements ("the financial statements") of St Andrew's Healthcare for the year ended 31 March 2007 which comprise the consolidated statement of financial activities, the consolidated and charity balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of St Andrew's Healthcare for the purposes of company law) for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the charitable 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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 trustees' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the legal and administrative details and the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent charitable company's affairs as at 31 March 2007 and of the group's incoming resources and application of resources, including the group's income and expenditure and cash flows, for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cambridge

Date *19 October 2007.*

St Andrew's Healthcare (formerly St Andrew's Group of Hospitals)

Consolidated statement of financial activities (incorporating consolidated income and expenditure account and statement of total recognised gains and losses) for the year ended 31 March 2007

	Note	Permanent Endowment Fund £'000	Restricted Funds * £'000	Unrestricted Funds £'000	Total 2007 £'000	Total 2006 £'000
Incoming resources from charitable activities	3	-	-	106,405	106,405	105,266
Incoming resources from generated funds						
Income from investments	8a	-	-	1,382	1,382	1,250
Voluntary income	19b	-	5,031	-	5,031	1,846
Other incoming resources						
Pensions finance income	17	-	-	1,294	1,294	205
Total incoming resources		-	5,031	109,081	114,112	108,567
Resources expended						
Cost of generating funds		-	-	(93)	(93)	(111)
Costs of charitable activities	4(a)	-	-	(99,264)	(99,264)	(92,761)
Governance costs	4(b)	-	-	(292)	(292)	(245)
Other resources expended						
Minority interest share						
in joint ventures	6	-	-	(361)	(361)	(790)
Interest payable		-	-	(834)	(834)	(529)
Pensions finance cost		-	-	-	-	-
Total resources expended		-	-	(100,844)	(100,844)	(94,436)
Net income for the year (net incoming resources)		-	5,031	8,237	13,268	14,131
Gains on investment asset disposals	8b	175	-	1,881	2,056	1,186
Taxation	18	-	-	(248)	(248)	(344)
Net income for year adjusted for taxation and gains on investment asset disposals		175	5,031	9,870	15,076	14,973
Gains on revaluation of investments	8b	(1)	-	(443)	(444)	5,559
Actuarial gains/(losses) on defined benefit pension schemes	17	-	-	(723)	(723)	12,245
Net movement in funds		174	5,031	8,703	13,908	32,777
Total funds brought forward as previously stated	15(a)	3,023	247	88,287	91,557	83,194
Prior year adjustment	2,17	-	-	-	-	(24,414)
Total funds brought forward as restated		3,023	247	88,287	91,557	58,780
Total funds carried forward		3,197	5,278	96,990	105,465	91,557

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

All the above results are derived from continuing activities All gains and losses recognised in the year are included above

* Note Restricted funds are income funds

St Andrew's Healthcare (formerly St Andrew's Group of Hospitals)

Consolidated Balance sheet as at 31 March 2007

	Note	Permanent Endowment	Restricted	Unrestricted	Total 2007	Total 2006
		£'000	£'000	£'000	£'000	£'000
Fixed assets						
Intangible fixed assets	9(a)	-	-	1,108	1,108	1,167
Tangible fixed assets	9(a)	500	-	85,750	86,250	62,296
Investments	9(a)	2,522	-	27,742	30,264	32,437
Investment in associated company	9(a)	-	-	61	61	-
		3,022	-	114,661	117,683	95,900
Current assets						
Stock - consumables		-	-	736	736	621
Debtors	10	-	-	12,975	12,975	9,222
Cash and deposits	13	175	5,278	11,578	17,031	8,529
		175	5,278	25,289	30,742	18,372
Liabilities						
Creditors amounts falling due within one year	14	-	-	(19,634)	(19,634)	(10,967)
Net current assets		175	5,278	5,655	11,108	7,405
Total assets less current liabilities		3,197	5,278	120,316	128,791	103,305
Long term bank loans	13	-	-	(17,138)	(17,138)	(5,409)
Net assets excluding pension scheme liability		3,197	5,278	103,178	111,653	97,896
Defined benefit pension scheme liability	17	-	-	(3,917)	(3,917)	(4,029)
Net assets		3,197	5,278	99,261	107,736	93,867
Funds of the Group						
Funds		3,197	5,278	100,906	109,381	95,586
Pension Reserve		-	-	(3,917)	(3,917)	(4,029)
Funds including pension reserve	15(a)	3,197	5,278	96,989	105,464	91,557
Minority interest		-	-	2,272	2,272	2,310
Total funds of the Group		3,197	5,278	99,261	107,736	93,867

Total funds include a revaluation surplus of £ 10,505,000 (2006 £10,948,000) reflecting the cumulative unrealised gains made on investments held at 31 March

The financial statements on pages 16 to 37 were approved by the Board of Directors on 28 September 2007 and signed on their behalf on 19th October 2007 by



Charles Wake
Members of the Board of Directors



Dr Philip Sugarman

St Andrew's Healthcare (formerly St Andrew's Group of Hospitals)

Charitable company Balance Sheet as at 31 March 2007

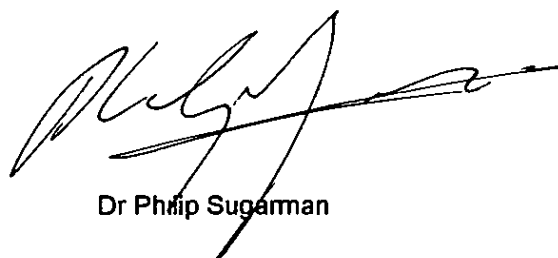
	Note	Restricted £'000	Unrestricted £'000	Total 2007 £'000	Total 2006 £'000
Fixed assets					
Tangible fixed assets	9(b)	-	78,755	78,755	62,120
Investments	9(b)	-	27,742	27,742	30,088
		-	106,497	106,497	92,208
Current assets					
Stock - consumables		-	266	266	168
Debtors amounts falling due after more than one year	10	-	9,750	9,750	1,250
Debtors	10	-	8,200	8,200	5,869
Joint venture account	11	-	2,211	2,211	2,161
Cash and deposits	13	5,278	11,084	16,362	7,419
		5,278	31,511	36,789	16,867
Liabilities					
Creditors amounts falling due within one year	14	-	(16,316)	(16,316)	(7,805)
Net current assets		5,278	15,195	20,473	9,062
Total assets less current liabilities		5,278	121,692	126,970	101,270
Long term bank loans	13		(17,138)	(17,138)	(5,409)
		5,278	104,554	109,832	95,861
Defined benefit pension scheme liability	17	-	(3,917)	(3,917)	(4,029)
Net assets		5,278	100,637	105,915	91,832
Funds of the Charitable Company					
Funds excluding pension reserve		5,278	104,554	109,832	95,861
Pension Reserve		-	(3,917)	(3,917)	(4,029)
Total funds	15(b)	5,278	100,637	105,915	91,832

Total funds include a revaluation surplus of £9,148,000 (2006 9,591,000) reflecting the cumulative unrealised gains made on investments held at 31 March

The financial statements on pages 16 to 37 were approved by the Board of Directors on 28 September 2007 and signed on their behalf on 19th October 2007 by



Charles Wake
Members of the Board of Directors



Dr Philip Sugarman

St Andrew's Healthcare (formerly St Andrew's Group of Hospitals)

Consolidated cash flow statement for the year ended 31 March 2007

	Note	Permanent Endowment Fund £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total 2007 £'000	Total 2006 £'000
Net cash inflow from operating						
Activities		-	-	14,250	14,250	13,380
Cash donations		-	5,031	-	5,031	1,646
Additional payment into pension scheme		-	-	-	-	(4,000)
		-	5,031	14,250	19,281	11,026
Returns on investments and servicing of Finance						
Interest received		-	-	831	831	364
Dividends received		-	-	399	399	750
Rental income received		-	-	152	152	141
Interest paid		-	-	(834)	(834)	(529)
Surplus income from external funds		-	-	-	-	(5)
Net cash inflows from returns on investments & servicing of finance		-	-	548	548	721
Taxation		-	-	(291)	(291)	(236)
Capital expenditure and financial investment						
Purchase of tangible fixed assets		-	-	(26,539)	(26,539)	(10,938)
Sale of tangible fixed assets		-	-	-	-	18
Purchase of investments		(492)	-	(1,753)	(2,245)	(4,587)
Sale of investments		493	-	5,538	6,031	6,723
Net cash inflow (outflow) from capital expenditure and financial investment		1	-	(22,754)	(22,753)	(8,784)
Total movements before financing		1	5,031	(8,247)	(3,215)	2,727
Financing						
Net increase in bank loan		-	-	11,729	11,729	(934)
Increase/(decrease) in cash		1	5,031	3,482	8,514	1,793
Reconciliation of net cash flow to movement in net funds						
Increase/(decrease) in cash		1	5,031	3,482	8,514	1,793
Net cash outflow from financing		-	-	(11,729)	(11,729)	934
Change in net funds		1	5,031	(8,247)	(3,215)	2,727
Net funds at 1 April		174	247	1,581	2,002	(725)
Net funds at 31 March	13	175	5,278	(6,666)	(1,213)	2,002

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

	Permanent Endowment Fund £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total 2,007 £'000	Total 2,006 Restated £'000
Net incoming resources before transfers		5,031	8,237	13,268	14,131
Tangible fixed assets - depreciation	-	-	2,523	2,523	2,089
- loss on disposal	-	-	121	121	-
Adjustment in value of associated company	-	-	(61)	(61)	-
Less pensions finance income	-	-	(835)	(835)	-
Increase in stocks	-	-	(115)	(115)	(135)
Increase in debtors & prepayments	-	-	(2,360)	(2,360)	(325)
Increase in other assets	-	-	(1,393)	(1,393)	(123)
Decrease/increase in creditors	-	-	8,719	8,719	(421)
Income from investments	-	-	(1,382)	(1,382)	(1,250)
Interest payable	-	-	834	834	529
Increase(decrease) in minority interest	-	-	(38)	(38)	731
Donations	-	(5,031)	-	(5,031)	(1,846)
Net cash inflow from operating activities	-	-	14,250	14,250	13,380

St Andrew's Healthcare (formerly St Andrew's Group of Hospitals)

Notes to the financial statements For the year ended 31 March 2007

1 Principal Accounting policies

Basis of accounting

The financial statements have been prepared on a going concern basis, in compliance with the Companies Act 1985 under the historical cost convention as modified by the valuation of investments at market value, and in accordance with the Statement of Recommended Practice Accounting and Reporting by Charities (revised 2005) (SORP 2005) and applicable accounting standards in the United Kingdom

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 397 of the Charities SORP 2005. The gross income for the year for the charitable company was £84,041,572 (2006 £89,615,976) and the surplus was £14,084,125 (2006 £32,470,088)

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 fixed assets, investments and working capital employed within the "business" of the charitable company. Funds represented by fixed assets utilised within the "business" of the charitable company are not freely available for other purposes and thus additional funds (held as investments) are required to support the reserves policy as set out in the trustees' report.

These funds represent monies put aside and invested in support of the requirement of the reserves policy.

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 (St Andrew's Hospital) together with the original buildings that form part of that permanent endowment.

St Andrew's Healthcare (formerly St Andrew's Group of Hospitals)

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 unrestricted surpluses do not form part of the permanent endowment. The endowment fund is held within the Charity, and has been consolidated here as the Charity is considered a wholly owned quasi-subsiidiary of the charitable company.

The separation of permanently endowed land and buildings subsequently constructed from free reserves is under discussion with the Charity Commission. See note 23 to the financial statements.

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 Healthcare (formerly St Andrew's Group of Hospitals),
- the charity - St Andrew's Hospital,
- St Andrew's Property Management Ltd, an incorporated wholly owned subsidiary undertaking,
- Three Shires Hospital 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 FRS 9 within the results of the Group.

Intra-group sales and profits are eliminated on consolidation. New subsidiaries included in the Group for the first time are consolidated from the date of acquisition.

Joint Ventures

Joint ventures, which meet the definition of a subsidiary undertaking, are included in the consolidated financial statements of the 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.

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, apart from bank loans.

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 governance costs 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 except investment management fees.

St Andrew's Healthcare (formerly 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 20 years. Previously this was considered to be 30 years. Had the Group adopted this policy in the previous year the effect on the net income for the year would have been £21,833. The directors' assessment of the useful economic life of this goodwill is based on the expected future profitability of the relevant entity.

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 charity was founded. Only the cost of new buildings, extensions to existing buildings and substantial structural renovations are capitalised. Refurbishments, including integral fixtures and fittings, are regarded as repairs and charged to the statement of financial activities as incurred on the basis that this maintains the standard of performance of the assets.

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.

Stocks

Stocks comprising pharmacy stocks and general stock held in the Group's stores are 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 and is net of discounts. Investment income receivable is not materially different from that received in the period. Grant income is accounted for in the period it is received and where such income is received for a specific purpose it is accounted for as a restricted fund until expended in the pursuit of the purpose. Income arising from permanent endowment investments is received as unrestricted funds.

Investments and investment gains or losses

Investments are shown at market value.

St Andrew's Healthcare (formerly St Andrew's Group of Hospitals)

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 trustees, 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 has two types of pension scheme

Defined contribution scheme

For the defined contribution scheme, contributions are made into a group personal pension plan and are currently set at 6% of basic salary. The employee rate is a minimum of 3% of basic salary to qualify for the employer's contribution. The charitable company's contributions are charged to the Statement of Financial Activities during the period in which the employee is an active member of the scheme. The costs of administering the scheme and providing for death in service are met by the Group.

Defined benefit scheme

The Group also operates a defined benefit pension scheme. This scheme was effectively closed to new entrants on 1st April 2003 but remains open to future accrual and continues to require contributions to be made to a separately administered fund.

The pension liability recognised in the balance sheet is the obligation of the Group being the present value of scheme's liabilities less the value of the assets in the scheme.

The pension costs for the scheme are analysed into (i) current service cost, (ii) past service cost, (iii) net expected return on pension asset and (iv) interest on pension liabilities. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period. Past service costs, relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits, are recognised in the Statement of Financial Activities. Net expected return on the pension scheme asset comprises the expected return on the pension scheme assets less interest on scheme liabilities.

The actuarial gains and losses which arise from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the Statement of Financial Activities.

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 and joint ventures are subject to corporation tax and deferred tax in the same way as commercial organisations and as such liabilities are included where appropriate.

St Andrew's Healthcare (formerly St Andrew's Group of Hospitals)

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.

2 Prior year adjustment in relation to the defined benefit pension scheme

The charity, in accordance with FRS 17, has included its defined benefit pension in the accounts. Comparative figures in the Statement of Financial Activities and the Balance Sheet have been restated to comply with this accounting requirement.

	2006 £'000
Fund balance brought forward as previously reported	83,194
Prior year adjustment -	
FRS 17 Pensions deficit at 31 March 2004	(9,360)
Reversal of SSAP 24 prepayment as at 31 March 2004	(2,700)
	<u>(12,060)</u>
Actuarial loss for the year ended 31 March 2005	(13,831)
Pensions contributions	7,319
Financial costs	(174)
Current service cost	(3,868)
Reversal of SSAP 24 additional prepayment as at 31 March 2005	(1,800)
	<u>(24,414)</u>
Fund balance brought forward as restated	<u>58,780</u>

In the years previous to 2006, pension costs were made up of two elements, the normal employer contributions and an additional employer contribution of £4,000,000 in 2005 (2004 £4,000,000) of which £1,800,000 in 2005 (2004 £2,700,000) were treated as prepayments under SSAP 24, which are the amounts adjusted as part of the FRS 17 implementation noted in the table above. The prepayment at 31 March 2005 of £4,500,000 was transferred to pension scheme assets, together with a further £4,000,000 contributed in March 2006. The movement in the charity's share of the scheme's surplus/deficit during the year is set out in note 17.

3 Incoming resources from charitable activities

	Consolidated	
	2007 £'000	2006 £'000
Maintenance fees	104,753	100,310
Other operating income	1,652	4,956
	<u>106,405</u>	<u>105,266</u>

Maintenance fees includes £10,279,261 (2006 £12,132,870) in respect of the joint venture with Cygnet Healthcare Limited and £12,200,338 (2006 £11,578,718) in respect of Three Shires Hospital Ltd.

Incoming resources from charitable activities above, so far as it can be attributed to the main service areas is as analysed below.

	Women's Adolescent and Men's Services £'000	Essex Women's and Men's Services £'000	Brain Injury Rehab £'000	Older Age £'000	Other group entities £'000	Total Above £'000
For the year ended March 31, 2007						
Maintenance fees	48,948	8,176	14,000	11,685	21,944	104,753
Other operating income					1,652	1,652
For the year ended March 31, 2006						
Maintenance fees	45,561	7,902	11,727	11,408	23,712	100,310
Other operating income					4,956	4,956

St Andrew's Healthcare (formerly St Andrew's Group of Hospitals)

4(a) Costs of charitable activities

	Consolidated	
	2007	2006
	£'000	£'000
Direct charitable expenditure		
Staff costs (see note 5)	73,659	69,178
Housekeeping and residents' expenses	10,594	9,619
Establishment	9,451	6,992
Administration	2,867	4,611
Advertising	193	209
Depreciation	2,530	2,156
Allowance for bad and doubtful debts	(168)	(123)
Operating lease costs - other	138	119
Total direct charitable expenditure	99,264	92,761

Direct charitable expenditure above, so far as it can be attributed to the main service areas is as analysed below

For the year ended March 31, 2007

	Women's, Adolescent and Men's Services £'000	Essex Women's and Men's Services £'000	Brain Injury Rehab £'000	Older Age £'000	Other group entities £'000	Total Above £'000
Staff costs (see note 5)	36,441	6,403	10,833	8,120	11,862	73,659
Housekeeping and residents' expenses	3,148	749	644	1,194	4,858	10,594

For the year ended March 31, 2006

	Women's, Adolescent and Men's Services £'000	Essex Women's and Men's Services £'000	Brain Injury Rehab £'000	Older Age £'000	Other group entities £'000	Total Above £'000
Staff costs (see note 5)	33,089	6,423	9,860	7,579	12,227	69,178
Housekeeping and residents' expenses	2,701	585	623	881	4,829	9,619

4(b) Governance Costs

	Consolidated	
	2007	2006
	£'000	£'000
Governance Costs of the Group		
External audit - charitable company auditors	102	70
External audit - other group auditors	26	23
Charitable company auditors other services	44	45
Internal audit	102	82
Indemnity insurance	13	18
Trustees expenses	6	7
Total governance costs of the Group	292	245

During the year the trustees did not receive any remuneration or reimbursed expenses from the Group other than a total of £4,925 paid to 5 trustees (2006 £6,895 paid to 6 trustees) by way of reimbursement for travelling expenses incurred. All the above costs have been covered from unrestricted funds

5 Staff costs and emoluments

	Consolidated		Charitable Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Staff costs in note 4(a) are analysed as				
Gross remuneration	63,350	59,190	52,904	48,784
Employer's NI costs	5,354	5,188	4,633	4,407
Pension contributions	4,955	4,800	4,360	3,759
Staff costs	73,659	69,178	61,797	56,950

The average monthly number of whole time equivalent (W T E) persons employed by the Group during the period was 2,204 (2006 2,052) The equivalent number of WTE persons employed by the Charitable Company was 1,842 (2006 1,686)

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	2007 W T E	2006 W T E
Clinical	308	342
Nursing	1301	1,196
Support	572	491
Management	23	23

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

	2007 Number	2006 Number
£50,001 to £60,000	1	-
£60,001 to £70,000	6	9
£70,001 to £80,000	5	13
£80,001 to £90,000	9	5
£90,001 to £100,000	8	7
£100,001 to £110,000	3	7
£110,001 to £120,000	9	3
£120,001 to £130,000	2	4
£130,001 to £140,000	5	1
£140,001 to £150,000	3	-
£150,001 to £160,000	-	2
£230,001 to £240,000	-	-
£280,001 to £290,000	-	1
£320,001 to £330,000	1	-

The highest paid employee who was also a director, received a basic pay of £315,000 (2006 £275,000) and taxable benefits of £11,147 (2006 £11,192). In addition the accrued pension entitlement under the defined benefit scheme was £3,602 (2006 £3,607) with a respective lump sum entitlement of £10,805 (2006 £10,821)

In relation to the employees above, contributions of £29,521 (2006 £23,701) were paid in respect of 7 members (2006 6) of the money purchase pension scheme and 34 (2006 41) were members of, and had accrued benefits under, the defined benefit scheme (see note 17)

Directors' emoluments	2007 £'000	2006 £'000
Aggregate emoluments	826	773
Retirement benefits are accruing to (2006 5) directors under a defined benefit scheme		
The increased annual pension entitlement accruing to the directors under the defined benefit pension scheme	152	138
The increased value of the cash sum benefit	455	415

6 Joint venture surplus

	2007 £'000	2006 £'000
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	180	705
- St Andrew's Healthcare share	92	1,116
- Cygnet Healthcare Joint Venture surplus	272	1,821
Share of results of Three Shires Hospital Ltd, a Joint Venture with BMI Healthcare providing acute medical surgical services		
- Minority interest share	181	85
- St Andrew's Healthcare share (including rent to the Group of £540,000)	720	625
- Three Shires Hospital Ltd surplus	901	710
- Total minority interest shares	361	790
- Total St Andrew's Healthcare share	812	1,741
Total Joint Venture surpluses	1,173	2,531

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7 Interest in subsidiary undertakings

Investment entity	Holding (%)	Registered Office	Results for the year
St Andrew's Property Management Ltd ¹	100%	England and Wales	Net assets - £270,002 Surplus - £90,000
St Andrew's Group of Hospitals Ltd ²	100%	England and Wales	Dormant - Net Assets - £2 Surplus Nil
Joint Venture with Cygnet Healthcare Ltd ³	Controlling (no shares)	England and Wales	Net assets - £2,401,037 Surplus - £271,732
Three Shires Hospital Ltd ⁴	50%	England and Wales	Net assets - £3,690,764 Surplus before dividend of £90,000 - £451,140

¹ At 31 March 2007 the Group's sole active 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 £ 15,357,086 (2006 £8,546,920) and contributed a profit of £ 38,672 (2006 £44,286) to the consolidated results. The amount which is donated to the charitable company by deed of covenant was £436,452 (2006 £344,902). 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 £11,153,958 and £10,883,956 respectively (2006 £2,506,192 and £2,326,790).

² The Group has a 100% interest in St Andrew's Group of Hospitals Ltd. This company has been dormant throughout the year.

³ The Group 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 £91,670 (2006 £1,115,475) to the consolidated results of the Group (see note 6). It had a turnover of £10,279,261 (2006 £12,132,870). The aggregate assets and liabilities of the joint venture are £3,520,232 and £1,119,195 respectively (2006 £3,614,214 and £1,243,322). By mutual agreement between the partners the Joint Venture was dissolved on 1st September 2007 with the Northampton business reverting to St Andrew's and the Harrow businesses continuing with Cygnet.

⁴ The charitable company 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 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 £720,570 (2006 £624,661) to the consolidated results of the Group (see note 6). It had a turnover of £12,200,338 (2006 £11,580,990). The aggregate assets and liabilities of Three Shires Hospital Ltd are £6,217,058 and £2,526,294 respectively (2006 £5,805,608 and £2,475,984).

8(a) Investment income

	Consolidated	
	2007	2006
	£'000	£'000
Dividends	399	750
Interest	831	364
Rental Income	152	141
Surplus income from external funds	-	(5)
	1,382	1,250

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

	Consolidated	
	2007	2006
	£'000	£'000
Realised gain on disposal of investments	2,056	1,186
Unrealised (loss)/gain on revaluation of investment assets (see note 8c)	(444)	5,559
Net gain	1,612	6,745

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8(c) Investment assets

	Consolidated			
	2007		2006	
	Cost £'000	Market Value £'000	Cost £'000	Market Value £'000
Unrestricted funds				
General reserve investments - unrestricted	18,594	27,742	20,496	30,088
	<u>18,594</u>	<u>27,742</u>	<u>20,496</u>	<u>30,088</u>
Permanent endowment				
- investments	915	1,507	742	1,378
- Well Vale Estate	12	180	12	156
- deposits - Chantry Commissioners	238	835	238	815
	<u>1,165</u>	<u>2,522</u>	<u>992</u>	<u>2,349</u>
Total investment assets	<u>19,759</u>	<u>30,264</u>	<u>21,488</u>	<u>32,437</u>
Surplus of market value over cost		10,505		10,949
Less prior year surplus		<u>(10,949)</u>		<u>(5,390)</u>
Unrealised (loss)/gain on revaluation of investments for the year to 31 March		<u>(444)</u>		<u>5,559</u>

All investment assets are held primarily to provide an investment return for the Group. Investments are listed securities on recognised stock exchanges. The General Reserve Fund investments comprise 69.9% UK securities with a market value of £19,385,000 (2006: 68.5%, £21,570,000) and 30.1% non-UK securities with a market value of £8,357,000 (2006: 31.5%, £9,923,000). The permanent endowment investments comprise 100% UK securities (2006: 100%). The Well Vale Estate comprises tenanted farming lands of approximately 79 acres (2006: 79 acres).

8(d) Voluntary income

	Note	Consolidated	
		2007 £'000	2006 £'000
Capital grants	20	5,000	-
Three Shires	19b	-	1,385
Other donations		31	461
		<u>5,031</u>	<u>1,846</u>

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9 Fixed assets & Investments

(a) Consolidated

	Permanent Endowment	Unrestricted funds	Unrestricted funds	Unrestricted funds	Unrestricted funds
	Freehold land	Freehold land and buildings	Fixtures, fittings, and machinery	Motor vehicles	Total tangible assets
Tangible and Intangible fixed assets	£'000	£'000	£'000	£'000	£'000
Cost At 1 April 2006	500	67,983	7,947	323	76,753
Additions	-	25,125	1,414	-	26,539
Disposals	-	-	(1,058)	(15)	(1,073)
At 31 March 2007	500	93,108	8,303	308	102,219
Depreciation at 1 April 2006	-	9,945	4,258	254	14,457
Charge for the year	-	1,522	924	18	2,464
Disposals	-	-	(937)	(15)	(952)
At 31 March 2007	-	11,467	4,245	257	15,969
Net book value: At 31 March 2007	500	81,641	4,058	51	86,250
At 31 March 2006	500	58,038	3,689	69	62,296
	Permanent Endowment Investments	Unrestricted fund Investments			Total
	£'000	£'000			£'000
Cost At 1 April 2006	991	20,498			21,489
Purchases	492	1,753			2,245
Disposals	(493)	(5,538)			(6,031)
Realised profit reinvested	175	1,881			2,056
At 31 March 2007	1,165	18,594			19,759
Unrealised gains at 1 April 2006	1,358	9,590			10,948
Gain for the year	(1)	(442)			(443)
At 31 March 2007	1,357	9,148			10,505
Net book value At 31 March 2007	2,522	27,742			30,264
Net book value At 31 March 2006	2,349	30,088			32,437
Total intangible, tangible Fixed Assets and Investments	Permanent Endowment	Unrestricted fund			Total
Net book value At 31 March 2007	3,022	114,600			117,622
Net book value At 31 March 2006	2,849	93,051			95,900

There are assets under construction included in group "Land and buildings" with net book value as at 31 March 2007 £26,723,000 £ (2006 £1,598,000)

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

The current market value of land and buildings is not practically determinable without costly external professional advice and would be of doubtful value in understanding the operation of the Group. 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

	Unrestricted funds	2007 Total
Investment in Associated Company	61	61

St Andrew's Property Management Ltd has a 40% holding in STAC Healthcare Ltd. The remaining 60% is held by Cygnet Healthcare Ltd. STAC Healthcare Ltd is a property holding company which leases properties to the St Andrew's and Cygnet Joint Venture (see notes 6, 7, 19(c) and 20). The Group's share of net assets at 31 March 2007 is £61,000 (2006 Nil). This investment was subsequently sold to Cygnet Healthcare on 1st September 2007 for £152,180.

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9 Fixed assets & Investments continued

(b) Charitable Company

	Unrestricted funds	Unrestricted funds	Unrestricted funds	
	Freehold land and buildings	Fixtures, fittings, and machinery	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Tangible fixed assets				
Cost At 1 April 2006	70,443	5,198	312	75,953
Additions	17,742	1,088	-	18,830
Disposals	-	(1,057)	(15)	(1,072)
At 31 March 2007	88,185	5,229	297	93,711
Depreciation at 1 April 2006	9,952	3,630	251	13,833
Charge for the year	1,378	675	15	2,068
Disposals	-	(930)	(15)	(945)
At 31 March 2007	11,330	3,375	251	14,956
Net book value				
At 31 March 2007	76,855	1,854	46	78,755
At 31 March 2006	60,491	1,568	61	62,120
Fixed Asset Investments		Unrestricted fund		Total
		Investments		£'000
		£'000		£'000
Cost At 1 April 2006		20,498		20,498
Purchases		1,753		1,753
Disposals		(5,538)		(5,538)
Realised profit reinvested		1,881		1,881
At 31 March 2007		18,594		18,594
Unrealised gains at 1 April 2006		9,590		9,590
Gain for the year		(442)		(442)
At 31 March 2007		9,148		9,148
Net book value: At 31 March 2007		27,742		27,742
Net book value At 31 March 2006		30,088		30,088
Total Fixed Assets and Investments		Unrestricted Fund		Total
		£'000		£'000
Net book value At 31 March 2007		29,596		106,497
Net book value At 31 March 2006		31,656		92,208

10 Debtors

	Consolidated		Charitable Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
a) Long term debtors				
Loan to subsidiary company	-	-	9,750	1,250
b) Current debtors				
Trade debtors	9,795	8,182	7,049	5,458
Amounts due from subsidiary and associated undertakings	-	295	-	-
Other debtors	1,562	169	55	120
Prepayments and accrued income	1,618	576	1,096	291
	12,975	9,222	8,200	5,869

The charitable company advanced a loan of £1,250,000 to St Andrew's Property Management Limited to enable it to acquire the 50% of shares in the Three Shires Hospital Limited – see note 19. The loan has no ultimate repayment date and bears interest at 7.2% for the first 20 years from 8 April 2004 and then 3.25% above NatWest base rate. The charitable company entered into a further loan agreement with St Andrew's Property Management Ltd to enable it to finance the purchase and development of sites in the West Midlands and Nottinghamshire. The total facility is for £45 Million and the amount outstanding as at 31 March 2007 was £8,500,000 and is at a variable interest rate of 1% per annum above the base rate of NatWest Bank plc. The loan is repayable when St Andrew's Property Management Ltd transfers, sells or otherwise disposes of the land and or associated developments at the West Midlands site and or the Nottinghamshire site or any part thereof.

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11 Joint Venture account

	Charitable Company	
	2007	2006
	£'000	£'000
Due within one year	1,361	1,301
Due in more than one year	850	860
	<u>2,211</u>	<u>2,161</u>

The charitable company has made funds available to the Cygnet Joint Venture in the form of a long term loan which is not repayable for the duration of the Joint Venture agreement without the consent of both Joint Venture parties. The loan is not interest bearing.

12 External funds (not included on the Balance Sheet)

	2007	2006
	£'000	£'000
Assets		
Investments	349	349
Cash deposits	680	348
	<u>1,029</u>	<u>697</u>
Liabilities		
Patients' deposit scheme	250	250
Deposits held on behalf of patients	779	447
	<u>1,029</u>	<u>697</u>

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.

13 Cash, deposits and bank loans

	Consolidated		2006	Charitable Company		2006
	2007	Movement		2007	Movement	
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and deposits:						
Unrestricted working capital	10,130	7,234	2,896	9,636	7,676	1,960
Unrestricted cash at fund manager	1,448	(3,764)	5,212	1,448	(3,764)	5,212
Permanent endowment funds cash	175	1	174	-	-	-
Restricted cash	5,278	5,031	247	5,278	5,031	247
	<u>17,031</u>	<u>8,502</u>	<u>8,529</u>	<u>16,362</u>	<u>8,943</u>	<u>7,419</u>
Bank overdraft	<u>(279)</u>	<u>69</u>	<u>(348)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bank loan repayable within one year, # included within creditors (note 14)	<u>(827)</u>	<u>(57)</u>	<u>(770)</u>	<u>(827)</u>	<u>(57)</u>	<u>(770)</u>
Long term bank loans. #						
Repayable within one to two years	(888)	(61)	(827)	(888)	(61)	(827)
Repayable between three and five years	(2,569)	(728)	(1,841)	(2,569)	(728)	(1,841)
Repayable after five years	(13,681)	(10,940)	(2,741)	(13,681)	(10,940)	(2,741)
	<u>(17,138)</u>	<u>(11,729)</u>	<u>(5,409)</u>	<u>(17,138)</u>	<u>(11,729)</u>	<u>(5,409)</u>
Net (debt)/funds	<u>(1,213)</u>	<u>(3,215)</u>	<u>2,002</u>	<u>(1,603)</u>	<u>(2,843)</u>	<u>1,240</u>

The following loan facilities to finance capital development are in place

£12.75M 10 year bullet loan fixed at 4.6% interest to 24 October 2007, thereafter subject to rate change options

£2.8M 15 year base rate linked reducing balance loan

The interest rate applicable to this facility has been fixed at 7.74% for ten years by means of an interest rate swap agreement

£2.4M 15 year fixed rate reducing balance agreement at 7.4%

An un-drawn 364 day facility of £23.25M base rate linked

The loan interest together with related swap income or expenditure amounted to £834,000 in the year

The loans are to be secured by a legal charge over some of the Charitable Company's freehold property. The legal charges were not in place at the balance sheet date.

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14 Creditors: amounts falling due within one year

	Consolidated		Charitable Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Bank overdraft and loan (note 13)	1,106	1,118	827	770
Trade creditors	10,059	2,840	7,682	1,216
Taxation and social security	1,957	1,927	1,330	1,247
Amounts due to subsidiary and associated undertakings	23	15	1,142	1,114
Other creditors	527	267	393	76
Accruals and deferred income	5,962	4,800	4,942	3,382
	19,634	10,967	16,316	7,805

15 Funds

(a) Consolidated

	Permanent Endowment fund	Restricted funds	Unrestricted funds	Total funds
	£'000	£'000	£'000	£'000
At 1 April 2006 as previously stated	3,023	247	88,287	91,557
Net incoming resources before revaluation and investment asset disposals	-	5,031	7,988	13,019
Gains and losses on revaluation and on investment asset disposal	174	-	1,438	1,612
Pensions losses	-	-	(723)	(723)
At 31 March 2007	3,197	5,278	96,990	105,465

(b) Charitable Company

	Restricted funds	Unrestricted funds	Total funds
	£'000	£'000	£'000
At 1 April 2006 as previously stated	247	91,585	91,832
Net incoming resources before revaluation and investment asset disposals	5,031	8,337	13,368
Gains on revaluation and on investment asset disposal	-	1,438	1,438
Pension losses	-	(723)	(723)
At 31 March 2007	5,278	100,637	105,915

(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 meeting liabilities on winding up

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16 Commitments

At the year end, the capital commitments were as follows

	Consolidated		Charitable Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Authorised, and contracted for	39,684	17,284	41,031	17,511

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	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Within one year	13	23	11	23
Within one to five years	48	96	48	96
After five years	-	-	-	-
	61	119	59	119

All operating leases are assets falling under the category "other"

17 Defined Benefit Pension Scheme

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. 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 31 March 2002 and thereafter is contributing 6%. The pension cost charge for the year for this scheme was £595,113 (2006 £453,950).

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 1 April 2003 but remains open to future accrual. The assets of the scheme are held separately from those of the Group.

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, and 31 March 2006 by projecting forward members' benefits and using the value of the assets reported by the investment manager.

The major assumptions used in this valuation are

	Valuation as at	31 March 2007	31 March 2006	31 March 2005
Rate of increase in salaries		4.50%	4.25%	4.25%
Rate of increase in pensions in payment		3.00%	2.75%	2.75%
Rate of increase of pensions in deferment		3.00%	2.75%	2.75%
Discount rate		5.20%	5.00%	5.25%
Inflation assumption		3.00%	2.75%	2.75%

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

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17 Pension Schemes Continued

	Long-term rate of Return expected at 31-Mar-07	Value at 31-Mar-07 £'000	Long-term rate of Return expected at 31-Mar-06	Value at 31-Mar-06 £'000	Long-term rate of Return expected at 31-Mar-05	Value at 31-Mar-05 £'000
Equities	7.25%	89,379	7.00%	83,491	7.25% pa	63,824
Bonds	6.00%	22,184	4.50%	6,240	4.75% pa	5,839
Property	7.25%	3,719	7.00%	3,288	7.25% pa	2,838
Cash	5.25%	1,567	4.50%	15,130	4.75% pa	8,940
Total market value of assets		116,849		108,149		81,441
Present value of scheme liabilities		120,766		112,178		101,355
Deficit in the Scheme		(3,917)		(4,029)		(19,914)

Reserves Note

	2007 £'000	2006 £'000	2005 £'000
Net assets excluding pension liability	111,654	97,896	78,694
Pension liability	(3,917)	(4,029)	(19,914)
Net assets including pension liability	107,737	93,867	58,780

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

	2,007 £'000	2,006 £'000	2,005 £'000
Current service cost	4,140	4,346	3,868
Past service cost	220	-	-
Total operating charge	4,360	4,346	3,868

Analysis of the amount credited to other finance income

	2,007 £'000	2,006 £'000	2,005 £'000
Expected return on pension scheme assets	7,105	5,722	4,782
Interest on pension scheme liabilities	(5,811)	(5,517)	(4,956)
Net return	1,294	205	(174)

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

	2,007 £'000	2,006 £'000	2,005 £'000
Actual return less expected return on pension scheme assets	243	16,286	3,766
Experience gains and losses arising on the scheme liabilities	115	(362)	225
Changes in assumptions underlying the present value of the scheme liabilities	(1,081)	(3,679)	(17,822)
Actuarial gain/(loss) recognised in SOFA	(723)	12,245	(13,831)

Movement in surplus during the year

	2,007 £'000	2,006 £'000	2,005 £'000
Deficit in scheme at the beginning of the year	(4,029)	(19,914)	(9,360)
Movement in year			
Current and past service cost	(4,360)	(4,346)	(3,868)
Contributions	3,901	7,781	7,319
Other finance income/(loss)	1,294	205	(174)
Actuarial gain/(loss)	(723)	12,245	(13,831)
Deficit in scheme at the end of the year	(3,917)	(4,029)	(19,914)

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17 Pension Schemes Continued

History of experience gains and losses

	2007	2006	2005
Difference between the expected and actual return on scheme assets			
Amount £'000	243	16,286	3,766
percentage of scheme assets	0.2%	15.1%	4.6%
Experienced gains and losses on scheme liabilities			
Amount £'000	115	(362)	225
percentage of the present value of the scheme liabilities	0.1%	-0.3%	0.2%
Total amount recognised in SOFA			
Amount £'000	(723)	12,245	13,831
percentage of the present value of the scheme liabilities	-0.6%	10.9%	-13.6%

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 £248,000 (2006 £344,000) represents the Group's share of tax suffered by joint ventures and subsidiary companies.

Analysis of the tax charge:

The tax charge on the profit on ordinary activities for the year was as follows

	2007	2006
	£	£
Current tax		
UK corporation tax	241,322	292,000
Over/under provision in prior year	(599)	-
Total current tax	240,723	292,000
Deferred tax	7,725	52,460
Tax on profit on ordinary activities	248,448	344,460

UK corporation tax was charged at 30% in 2006

Factors affecting the tax charge:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2007	2006
	£	£
Profit on ordinary activities before tax	699,588	909,842
Profit on ordinary activities multiplied by the standard rate of corporation tax	195,668	272,953
Effects of		
Expenses not deductible for tax purposes	1,575	955
Depreciation add back	106,156	82,642
Capital allowances	(71,707)	(69,919)
Other timing differences	9,630	4,770
Other tax adjustments	(599)	599
Current tax charge	240,723	292,000

19 Connected charities and associated company

(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

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mentally disabled members of the community. Some members and employees of St Andrew's Healthcare are also members of Workbridge Enterprises Ltd. The financial statements of Workbridge Enterprises Limited have not been consolidated into these financial statements, in accordance with FRS 2 "Accounting for subsidiary undertakings", as the charitable company does not have direct control and they are also deemed to be immaterial.

(b) Three Shires Independent Hospital

Three Shires Independent Hospital, The Avenue, Cliftonville, Northampton NN1 5DR was a registered charity operating within the grounds of the Group. It was managed separately and addressed a separate market. Certain services were 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.

The charity, Three Shires Independent Hospital, was renamed Dalow Ltd in April 2004 and was subsequently wound up in October 2005. The remaining assets of £1,385,288 in cash were donated to St Andrew's Group of Hospitals at that time.

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

(d) St Andrew's Group of Hospitals Ltd.

This company is a wholly owned subsidiary and is currently dormant. Once final agreement on the separation of the permanent endowment land from the buildings has been achieved with the Charity Commission it is anticipated that this company will become a corporate trustee of the charity St Andrew's Hospital. (See also notes 7 and 23.)

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. With respect to consolidated entities the Group has taken advantage of the exemption contained in FRS 8 and has not disclosed transactions with those entities.

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20 Related party transactions, continued

Maternal transactions between the connected charities and the associated company comprise

	2007	2006
	£	£
Workbridge Enterprises Limited		
Rent receivable on leasehold land	45,000	45,000
Management and facility services	1,768	1,875
Interest receivable on loan	-	-
Work experience therapy purchased	(240,900)	(235,000)
	2,007	2,006
	£	£
STAC Healthcare Limited		
Rent payable to STAC Healthcare Ltd on land and buildings leased by the St Andrew's Healthcare and Cygnet Healthcare Joint Venture	(150,000)	(150,000)

Duncan Orme was, until 31st March 2007, Director of Finance of Northampton General Hospital NHS Trust that has contracts with Northamptonshire Primary Care Trust of approximately £140m. Northamptonshire Primary Care Trust is a maternal customer of St Andrew's Healthcare and also made a £4m capital grant to the charitable company in 2006/07.

Northampton General Hospital also provides pathology services to members of the St Andrew's Healthcare Group to the value of approximately £70,000 in 2006/07.

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

21 Related party balances

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

	Consolidated		Charitable Company	
	2007	2006	2007	2006
	£	£	£	£
Workbridge Enterprises Limited (creditor)	(20,075)	(15,022)	(20,075)	(15,022)
STAC Healthcare Limited debtor	271,949	294,588	-	-

22 Ultimate controlling organisation

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

23 Permanent endowment land and buildings

Throughout 2006 and 2007 the charitable company has continued to discuss with the Charity Commission precisely how the separation of the permanently endowed land and buildings from those subsequently constructed and financed from unrestricted funds, should be formalised. These discussions are nearing a close and it is planned that the Charity will regularise the occupation of the permanent endowment land and buildings by the charitable company St Andrew's Healthcare through the grant of a lease or leases. At the time this report and financial statements were signed this arrangement has not been finalised. The trustees have reported in the same format as they did in 2006 pending finalisation as this treatment is consistent and corresponds with that which is expected to be adopted on the grant of the leases. (See also note 19 (d)). This formalisation relates to the classification of approximately £20M net book value of buildings at the start of the period, that have been constructed on permanent endowment land. If the classification were to be changed this would result in a transfer between unrestricted and permanent endowment funds in the financial statements.