

**St Andrew's Healthcare**

**Annual report and financial statements**

**For the year ended 31 March 2009**

Registered Charity Number: 1104951  
Registered Company Number: 5176998

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St Andrew's Healthcare

**Annual Report and financial statements  
for the year ended 31 March 2009**

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**Reference and administrative details of the Charitable Company, its Directors, Trustees and Advisers for the year ended 31 March 2009**

The principal address and registered office of St Andrew's Healthcare (the "Charitable Company") is:

St Andrew's Hospital  
Billing Road  
Northampton  
NN1 5DG

Directors of the Charitable Company during the year were:

Charles Wake	Non-executive Chairman	Re-appointed 25/07/08
Stuart Richmond-Watson	Non-executive & Deputy Chairman	
Dr Philip Sugarman	Chief Executive & Medical Director	
John Church	Non-executive	Re-appointed 25/07/08
James Mackaness	Non-executive	
Peter Winslow	Non-executive	
Christopher Oakes	Executive	Resigned 10/09/08
Caroline Rose	Executive	Re-appointed 25/07/08
James Watkins	Executive	
Duncan Orme	Executive & Company Secretary	Resigned as Co. Sec 27/02/09
Clare Auty	Company Secretary	Appointed 25/07/08

All non-executive and executive directors are also trustees of the Charitable Company. There are a total of 37 governor members of which 5 are non-executive members of the Board for the Charitable Company. The full details of the governor membership can be obtained from the Company Secretary at the registered address of the Charitable Company.

The following act in a professional capacity for the Charitable Company:

Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors Abacus House Castle Park Cambridge CB3 0AN
Solicitors	Hewitsons 7 Spencer Parade Northampton NN1 5AB
Bankers	NatWest Bank plc East of England Corporate Banking 2 <sup>nd</sup> Floor 152 Silbury Boulevard Central Milton Keynes MK9 1LT
Investment Managers	Smith & Williamson Investment Management Limited 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.

## **Report of the Directors for the year ended 31 March 2009**

The Trustees, who are also directors of the Charitable Company for the purpose of the Companies Act 1985, present their fifth annual report, since incorporation on 12 July 2004, and the audited financial statements for the year ended 31 March 2009.

The information with respect to trustees, directors, officers and advisors, as disclosed in the reference 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", the Charities Act 1993, as amended by the Charities Act 2006 and the Companies Act 1985.

### **Structure, Governance and Management**

#### **Status**

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 nine directors, who are the charity's trustees, in accordance with the memorandum and articles of the company.

#### **Corporate Governance**

In agreement with the Charity Commission, the Charitable Company has adopted applicable supporting principles and the provisions set out in the Combined Code of Corporate Governance of the Financial Reporting Council (the code). The Trustees consider this to be an important safeguard for a company limited by guarantee with a unitary board. The unitary board comprises a balance of unpaid non-executive directors/trustees and executive directors/trustees who are also paid employees.

#### **The Board of Directors**

The Board has formally met forty-seven times since incorporation in July 2004 and ten times during the year ended 31 March 2009, 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 2009, all Directors were present at four 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 directors' team which reports to the Board. Executive and non-executive directors of the Charitable Company represent it on the boards of Three Shires Hospital Limited, The Pavilion Clinic Limited and St Andrews Property Management Limited (see page 9).

The Chairman of the Board since incorporation has been Charles Wake. During the year Stuart Richmond-Watson was Vice Chairman and senior independent Director and Philip Sugarman was Chief Executive.

The Board considers all five members and non-executive directors, Charles Wake, Stuart Richmond-Watson, John Church, James Mackaness, and Peter Winslow 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 Limited, an engineering company; Broughtons & Cheltenham Limited, a small group of motor dealerships; and SP Broughton & Co Limited, 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.

## **Report of the Directors for the year ended 31 March 2009 (continued)**

The non-executive directors met on 27th March 2009, 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 on 24<sup>th</sup> April 2009. The senior independent auditor director also met with the directors on 27<sup>th</sup> March 2009 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 2008, July 2008, October 2008, February 2009 and April 2009.

The Board maintains a rigorous review of risk and where deficiencies have been identified appropriate remedial action is implemented. To maintain and improve the effectiveness of the risk controls, especially at this time of significant off-site expansion, the Board has increased the capacity and quality of people to support management. Internal Audit, which was brought in-house in March 2008, has also been provided with increased capacity.

### **The Trustees**

The executive members of the Board are selected to fulfil the job descriptions and job titles as determined from time to time by the Board in accordance with the Memorandum of Association. Prior to appointment, executive directors are subject to rigorous assessment as to their suitability and competence for the position as set out in the relevant job specification. They are then, subject to the recommendation of the nominations committee, appointed by the members to the Board. Upon appointment they will receive an induction into the organisation specifically tailored to their assessed needs.

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 programme 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 actions required. A programme and Risk Management Board oversees and monitors the development boards assessing progress against plan whilst monitoring and reporting on risk to the Executive Directors' team and the Audit Committee.

## **Report of the Directors for the year ended 31 March 2009 (continued)**

### **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 including the chairman of that committee are appointed by the Board upon recommendation 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, Sir John Robinson and John McCall who served throughout the year. The Audit Committee met in June 2008, October 2008, March 2009 and June 2009.

The June 2008 meeting was attended by three members of the committee the October 2008 and March 2009 meetings were attended by four members of the committee and the June 2009 meeting was attended by three members of the committee.

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, Peter Winslow and John Church) with two members (Sir John Robinson and Lady Juliet Townsend) in attendance when it met in April 2009. Non-executive directors and members receive no remuneration or benefits from the Charitable 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 the remuneration of the Executive Directors 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 whom 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 at 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, Peter Winslow and John Church) together with one member (Sir John Robinson) when it met in April 2009. No executive directors 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 or non-executive); St Andrew's Healthcare nominated directors of St Andrews Property Management Limited and Three Shires Hospital Limited; membership of other Board appointed Committees; the Remuneration, Audit and 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 and identifying specific areas where the attributes of potential candidates could strengthen the membership.

## **Report of the Directors for the year ended 31 March 2009 (continued)**

### **The Investment Committee**

The Charitable Company has an Investment Committee which comprises four members of the Charitable Company, one of whom is a non-executive director. Meetings of the Investment Committee are also attended by the Company Secretary, Clare Auty, the Finance Director, Duncan Orme and the Pensions Manager, Helen Muddle. 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. The other two members are Alec Foster, who is also Chairman of the Audit Committee, and William Francklin. The Investment Committee met in May 2008, August 2008 and January 2009. 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, to the Board on the appointment of fund managers, investment strategy and other investment matters regarding the separate investment funds.

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Charitable Company and group and of the surplus or deficit of the group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 to 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.

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.

### **Directors and their interests**

There were no interests held by any of the directors.

## **Report of the Directors for the year ended 31 March 2009 (continued)**

### **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 service users.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities for 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, Selection, 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 interim 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.

### **External Audit & Auditors**

The auditor to the Group, PricewaterhouseCoopers LLP, also provides limited non-audit services in respect of VAT and taxation advice. Such advice is provided by a separate office from the audit service 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.

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

### **Risks**

The group is exposed to the following significant business risks:

#### **Investment risk**

A significant risk facing the Charitable Company, like many other organisations, arises from the current state of the financial markets; this impacts upon the pension funds surplus or deficit, the valuation of Charitable Company investments and the ease of securing additional finance. The volatility in the finance markets has contributed to the continued pension fund deficit notwithstanding the recovery plan which is in place.

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.

The Charitable Company holds investments of £17.7m (2008 (restated) £22.7m). Overall investments decreased by £5m from the previous year because of liquidations to fund capital 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 capital development program, as a reserve against self insured medical malpractice liabilities and as part cover for the defined benefit pension scheme deficit.



## **Report of the Directors for the year ended 31 March 2009 (continued)**

### **Market risk**

A further risk for the Charitable Company arises from financial pressures within the National Health Service and the adoption of a new Framework Agreement which could potentially limit the volume of referrals and removes the committed procurement of beds.

Overall occupancy for the year was just below plan in part due to ward closures for refurbishment. Income was increased due to increased case complexity 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.

### **Pricing risk**

The Charitable Company's pricing strategy is set to mitigate the occupancy risk associated with financial pressures on the National Health Service by ensuring that, although above average quality is offered, the prices charged remain competitive to the independent market norm. It is the organisation's intention to closely scrutinise costs in order to ensure that margins allow room for manoeuvre should price competition harden.

### **Property-related 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 allows the recovery of VAT on the construction of such buildings as they could be zero rated. HM Revenue and Customs have unsuccessfully challenged this position in the past. It is however recognised that this situation may change for future developments due to changes in legislation or precedent in case law.

The ability to achieve planning consent on sites can be protracted which is a recognised risk to the Charitable Company.

### **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 processes together with an established Programme and Risk Management Board. Some of the key risks currently facing the organisation have been detailed above.

The Charity's risk register has been reviewed and updated during the year by the executive directors and senior management. It is also reviewed with the Group's head of internal audit to provide independent scrutiny. Clinical Risks and Health and Safety Risks are reviewed by the appropriate development boards and reported on a monthly basis to the Board of Directors.

St Andrew's Healthcare, like all employers, is bound by the provisions outlined in the Health and Safety at Work Act 1974. The Charity takes its responsibility to safeguard its service users, staff and visitors very seriously and actively works at embedding safe ways of working in all areas. The Charity strives for health and safety excellence in all its activities. In order to do this, St Andrew's Healthcare has established a Health and Safety Development Board which determines the health and safety management strategy and policies for the Charity and is made up of representatives from a wide spectrum of interests within the Charity. There are also local health and safety groups in each division which advise the Health and Safety Development Board on all local health and safety issues and promote a strong health and safety culture across the whole Charity.

St Andrew's Healthcare's approach to health and safety management has been externally audited by the British Safety Council which found the Charity's commitment to health and safety excellence was clearly demonstrated. For two successive years the British Safety Council has awarded the Charity 5\*s or an 'Excellent' grading for its health and safety management systems, with the Charity demonstrating its appetite to learn through a year on year improvement. St Andrew's Healthcare is the only provider of residential mental healthcare in Europe to achieve this level of assessment.

## **Report of the Directors for the year ended 31 March 2009 (continued)**

### **Risk Management (continued)**

The British Safety Council, in conducting its 2009 audit, noted the following specific areas of strength in the Charity; an enthusiastic and committed health and safety team with strong support at all levels of the organisation, good communication systems; committee structures which ensure involvement of everyone across the site, particularly strong clinical controls, inspections and audits and well managed/maintained building and equipment. St Andrew's Healthcare therefore believes and has been acknowledged as setting the standard for health and safety management in a mental healthcare environment.

The Audit Committee takes a broader overview on global risk, drawing from the substantial experience of its members from both 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 and reviewed with systems in place to mitigate those risks. Each material risk has been allocated to a particular Executive Director who is responsible for controlling and mitigating as necessary.

### **Objectives & Activities**

#### **Objects**

The primary Objects of the Charitable Company are to promote the healing of sickness, the relief of suffering, and the meeting of the needs of those experiencing mental disorder, including psychiatric illness, developmental disability, brain injury and other mental disorders by:

- the establishment, acquisition and maintenance of residential institutions;
- the provision of community based activities and care appropriate to such needs; and
- the support, promotion and facilitation of research, education and teaching in the causes and treatment of such disorders.

The Board of Governors resolved to adopt a new Memorandum & Articles of Association incorporating the above objects on 27 February 2009.

The Charitable Company is a national primary trading charity and aims to be the national leader in specialist mental healthcare by investing in high quality care. The Charitable Company believes that education is at the heart of becoming a national leader either through the continued development of its staff, the education and rehabilitation of the service users or through research and sharing of best practice.

Quality at St Andrew's Healthcare 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 Healthcare remains committed to the tradition of working with and treating challenging difficult-to-manage service users 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 create new specialist facilities at existing locations through expansion and redevelopment and to create new state-of-the-art 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 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.

## **Report of the Directors for the year ended 31 March 2009 (continued)**

### **Aims and objectives for 2008/09**

During 2008/09 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 and a new facility for men at St Andrew's Birmingham.

Construction commenced on the Residential Mental Healthcare Facility at Northampton which is expected to complete in autumn of 2010. Work also commenced on a new regional facility in Nottinghamshire during March 2009.

The Charitable Company increased the number of residents accommodated and made further progress in the development of clinical outcome measures.

On 10 September 2008, St Andrew's Healthcare launched its collaborative partnership with the Institute of Psychiatry, King's College London to establish the St Andrew's Academic Centre. Year one of the Academic Centre commences on 1 June 2009. The Centre will comprise high calibre practitioners and post graduate students who will carry out specialist mental health research and teaching, with the specific aim of giving a much needed boost to forensic services in the UK.

St Andrew's School is an independent school for special needs and mental health. It is a DCSF (Department of Children, Families and Schools) registered school, from 30 January 2009, and has been inspected by Ofsted. The establishment of the school within the existing facilities will support the Charitable Company to build on, and deliver, high quality, innovative and excellent education for the young people within its care. The school will meet the educational needs of individuals aged between 13 and 19, offering them an opportunity to develop their skills and gain qualifications for a brighter future.

A new food strategy has been adopted at St Andrew's Northampton which has five key attributes

- Food cooked as close to the service user as possible in a truly devolved service
- The use of local food wherever possible
- Greater use of organic, free range and ethically traded foods
- Significantly reduced food miles
- Making meal times a more enjoyable social event and increasing the awareness of the health benefits of good food

Service users have responded very favourably to the new catering arrangements and have enjoyed the opportunity to contribute to the planning and choice of new menus and the direct contact with their local chefs. The success of the strategy has been reflected in the increased levels of satisfaction in the catering surveys. The success was also recognised at a Sustainable Communities 2009 event organised by the Healthcare Services Journal and Defra. St Andrew's Healthcare won two categories: Suppliers Delivering Sustainability sponsored by the NHS Purchase and Supply Agency and Sustainable Procurement sponsored by the Office of Government Commerce Buying Solutions. St Andrew's was presented with the National Healthcare Award 2009 from the Cost Sector Catering organisation in April 2009.

### **Public Benefit Policy**

In setting the objectives and planning the activities the Board have given careful consideration to the Charity Commission's general guidance on public benefit and in particular its supplementary guidance on fee-charging.

The Charitable Company has always provided public benefit. In response to recent changes in charity law and regulation (under the Charities Act 2006) it has formalised this with the introduction of a Public Benefit Policy ("the Policy") which was reviewed and adopted in 2008. The Policy provided for an internal annual Public Benefit Audit which was carried out in April 2009. Prior to any new service or activity being commissioned the public benefit considerations are always reviewed.

## **Report of the Directors for the year ended 31 March 2009 (continued)**

### **Public Benefit Policy (continued)**

St Andrew's Healthcare is a leading provider of both generic and specialist mental healthcare services throughout the UK. The Trustees believe that the benefits of good mental healthcare to residents, beneficiaries within the community and the public at large are easy to identify and self evident. Over 97% of referrals come from and are funded by the National Health Service and accordingly people can benefit from the services of St Andrew's Healthcare regardless of means. St Andrew's ability and willingness to treat the most challenging individuals means that local services can be safer, more effective and responsive to others. Although the core services are subject to fees, these have been assessed by the Directors as being appropriate for the specialist service delivered and of a reasonable level within the mental healthcare sector.

For patients who have difficulty in paying for the residential treatment and where National Health Service funding is not available, consideration is given to reduced rates as a charitable benefit.

All surpluses are reinvested to improve and develop the residential and treatment facilities and thereby enhance the lives of the beneficiaries. Professional staff with the highest qualifications are recruited and provided with continuing professional education to enable the Charitable Company to provide the benefits to the public and thereby fulfil the purposes of the organisation.

In addition to the core services which are subject to fees the Charitable Company provides a number of free or indirect benefits to a wide group of beneficiaries including service users, the local community, mental healthcare professionals and other charitable organisations. Examples of these services are varied and include the following: extensive programme of research, sharing of best practice through research teaching events, honorary lectureships, awareness sessions in local schools, work placements and secondments, provision of facilities, rooms and speakers to local charities and recreation groups, rehabilitation work including gardening for the elderly or clearing local parks/woods, and consultancy services to public bodies including the police, National Health Service and crown prosecution service.

The Charitable Company is exploring ways in which its services to the wider community (as well as residents) may be expanded, in order to strengthen the continuum of care it seeks to provide in mental healthcare services. To this end, the Charitable Company merged with Workbridge Enterprises Limited, a charity providing community based rehabilitation, on 1 April 2009.

### **Activities of Group Entities**

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

#### **St Andrews Property Management Limited**

St Andrews Property Management Limited 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 to the Group.

During the year, the company completed the construction of St Andrew's Birmingham and continued with the construction in Northampton and Nottinghamshire, referred to previously.

St Andrews Property Management Limited has executed a deed of covenant in favour of the Charitable Company, donating all its taxable profits.

#### **Three Shires Hospital Limited**

The Three Shires Hospital Limited is an acute medical surgical hospital located within the grounds of the main St Andrew's Northampton site. St Andrew's Healthcare, through its subsidiary company St Andrews Property Management Limited, has a 50% holding in Three Shires Hospital Limited. The remaining 50% of the shares in this company are held by BMI Healthcare Limited ("BMI"). BMI and St Andrews Property Management Limited are parties to a shareholders agreement governing the operation of Three Shires Hospital Limited. Three Shires Hospital Limited 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 in some specifically defined circumstances.

## **Report of the Directors for the year ended 31 March 2009 (continued)**

### **The Pavilion Clinic Limited**

The Pavilion Clinic Limited was opened as a diagnostic and outpatient facility in Northampton in July 2007. The company is 51% owned by Three Shires Hospital Limited, whose chairman has a casting vote and the company is therefore consolidated into the Group accounts. The other 49% is owned by Global Diagnostics Limited.

### **Achievements and Performance**

#### **Review of activities and performance of divisions**

The Group comprises of six main divisions based at Northampton, Birmingham and Essex. The divisions are each managed by a Service Director who has a Registered Manager reporting directly to them. The Service Directors report to the Chief Executive.

The current divisions are as follows:-

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

Overall, activity increased from 2007/08. This, together with a trend towards more difficult-to-manage residents, resulted in an increase in income year on year.

Most of the Charitable Company's income arises through referrals from the National Health Service.

Significant discounts were granted to some primary care trusts in recognition of the volume of referrals and the partnership between the National Health Service and Charitable Company.

#### **Key Performance Indicators**

St Andrew's Healthcare 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 Healthcare, 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.

#### **Divisional Activity:**

##### **Adolescents, Adult Men's and Adult Women's Services**

The overall number of residents helped by these divisions continued at a high level with growth throughout the year. The Charity also benefited from an increased capacity on the opening of St Andrew's Birmingham in March 2009.

## **Report of the Directors for the year ended 31 March 2009 (continued)**

### **Brain Injury Rehabilitation**

The national centre for brain injury continued to receive increased levels of admissions of a more specialist nature, as a result, financial and activity performance improved on 2007/08. The centre, which celebrates its 30<sup>th</sup> year in 2009, held a number of successful conferences during 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 refurbished many of its wards during the year and opened new specialist services for older women.

### **St Andrew's Healthcare in Essex**

Activity increased steadily during the year as the new phase 2 building was occupied. New facilities for rehabilitation were also developed within the grounds.

### **Expansion Plans**

Due to the high level of demand, the Charitable Company is expanding at its Northampton and Nottinghamshire locations and other regional locations. This expansion gives rise to the majority of the £54m capital commitments disclosed in note 14 to the financial statements.

### **Connected Charities**

During the year the Group was connected to the charity Workbridge Enterprises Limited by virtue of having trustees in common.

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

As from 1 April 2009, Workbridge Enterprises Limited has merged with the Charitable Company. The identity and brand will continue but will offer services that link into St Andrew's Healthcare (note 22).

### **Prior period adjustment - permanent endowment**

On 25 July 2008, the Trustees resolved, pursuant to section 75(a) Charities Act 1993 (as amended in 2006), that the Well Vale Estate and associated investments held by St Andrew's Hospital could be best used by the Group to achieve their charitable objectives if the assets were freed from restriction. The Charity Commission concurred with this view and accordingly both the land and investments were gifted from St Andrew's Hospital to St Andrew's Healthcare during the year with the legal and beneficial title to the Well Vale Estate transferring on 21 October 2008.

Following a final view from the Charity Commission and legal advice, the original land and buildings of St Andrew's Hospital were never subject to permanent endowment restrictions. As a result, the legal title of the original land and buildings transferred during the year to the Charitable Company, pursuant to a Business Transfer Agreement entered into on 30 July 2004, which had transferred the beneficial title to the original land and buildings held on 30 July 2004. This has been accounted for as a prior period adjustment as disclosed in note 2.

### **Donations**

Donations received during the year were £36,000 (2008: £37,000). The majority of this related to donations from a trust.

## **Report of the Directors for the year ended 31 March 2009 (continued)**

### **Financial Review**

St Andrew's Healthcare is a primary trading charity with a significant forward capital development program. The Group is committed to substantial development costs in relation to new facilities in Nottinghamshire and Northampton; these give rise to the majority of the capital commitments of £54m (2008: £15m) disclosed within note 14 to the financial statements.

Total funds carried forward as disclosed in the statement of financial activities on page 16 are £113.4m (2008: £106.1m). The group has £131.2m (2008: £104.4m) 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 £16.0m (2008: £15.1m) is recognised on the balance sheet; even should the stock market not perform to expectation or a high level of financial performance not be maintained, this deficit will require additional funding. Additional funding of £2m (2008: £5m) was contributed in March 2009 and the Charitable Company is committed in principle to further additional funding of £2m per year for the next 8-9 years.

### **Reserves policy**

The trustees maintain general reserves in the form of stock market investments and cash in order to be able to meet short term capital 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. The Board have reviewed current capital commitments and expected revenues and is able to confirm that it is appropriate to maintain a minimum £10m of free reserves on an ongoing basis. It is anticipated that this reserve will be held in cash and/or liquid investments by the Charity's Investment Managers.

Loan facilities have been drawn down with the Charitable Company's banker in order to be able to best meet short to medium term cash flow requirements.

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.

### **Business review / results and financial performance**

The overall financial results prior to the inclusion of the FRS17 actuarial losses for the year on the defined benefit scheme are £9.1m (2008 £19.9m).

Charitable and other discounts amounting to £2.0m were granted in respect of a number of residents.

The Three Shires Hospital Limited has contributed £141,000 (2008: £97,000) to the consolidated surplus for the current year.

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

### **Investment policy and performance**

Investments are managed by the Group's Fund manager on a discretionary basis without restrictions regarding social, environmental and 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 negative return of -4.23% (2008: (positive) 2.31%) against the benchmark negative return of -6.6% (2008: -2.8% negative return).

### **Creditor payment policy**

The Charitable Company aims to pay creditors in line with agreed payment terms, with the average creditor days being below 30.

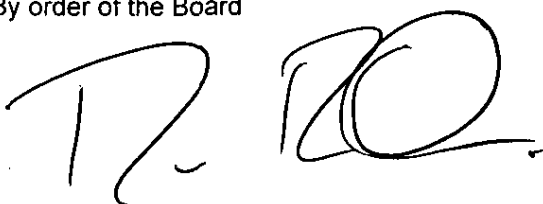
## Report of the Directors for the year ended 31 March 2009 (continued)

### Plans for Future Periods

Additional capacity constructed in Northampton and Nottinghamshire will enable the Charitable Company to meet the needs of an increased number of residents closer to their place of referral and at our specialist centre at Northampton. The Charitable Company aims in 2010/11 and thereafter, to continue construction of a range of facilities to further meet the needs of those who fall within its 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 commissioning 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; however the Board continues to examine opportunities for the development of the Group.

By order of the Board



D R Orme  
Director

26 June 2009



## **Independent Auditors' Report to the members of St Andrew's Healthcare**

We have audited the group and parent charity financial statements ("the financial statements") of St Andrew's Healthcare for the year ended 31 March 2009 which comprise the Group Statement of Financial Activities, the Group and Charity Balance Sheets, the Group 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 Trustees' 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 Trustees' 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 Director's Report. 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 2009 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 Trustees' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Cambridge

Date *2 July 2009.*

**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 2009**

	Note	Permanent Endowment	*Restricted Funds	Unrestricted Funds	Total 2009	Total 2008
		£'000	£'000	£'000	£'000	£'000
<b>Incoming resources from charitable activities</b>	3	-	-	130,541	130,541	121,342
<b>Incoming resources from generated funds</b>						
Income from investments	8(a)	-	-	1,932	1,932	1,777
Voluntary income	8(d)	-	36	-	36	37
<b>Other Incoming resources</b>						
VAT reclaims		-	-	-	-	825
Pensions finance income	15	-	-	-	-	1,463
<b>Total incoming resources</b>		-	36	132,473	132,509	125,444
<b>Resources expended</b>						
Cost of generating funds – investment managers fees		-	-	(83)	(83)	(91)
Cost of charitable activities	4(a)	-	-	(120,855)	(120,855)	(106,790)
Governance costs	4(b)	-	-	(255)	(255)	(445)
<b>Other resources expended</b>						
Minority interest share in joint ventures and subsidiary undertakings	6	-	-	331	331	67
Interest payable	8(e)	-	-	(1,431)	(1,431)	(988)
Pension finance cost		-	-	(199)	(199)	-
<b>Total resources expended</b>		-	-	(122,492)	(122,492)	(108,247)
<b>Net incoming resources before transfers</b>		-	36	9,981	10,017	17,197
<b>Transfers</b>						
Transfers between funds	13	-	(156)	156	-	-
Transfer of investments	13	(2,838)	-	2,838	-	-
<b>Net incoming resources before other gains and losses</b>		(2,838)	(120)	12,975	10,017	17,197
<b>Other recognised gains and losses</b>						
Gains/(losses) on investment asset disposals	8(b)	-	-	(676)	(676)	2,949
Taxation	16	-	-	(281)	(281)	(256)
<b>Net income for year adjusted for taxation and gains on investment asset disposals</b>		(2,838)	(120)	12,018	9,060	19,890
Gains/(losses) on revaluation of investments	8(c)	-	-	86	86	(2,934)
Actuarial (losses) on defined benefit pension scheme	15	-	-	(1,948)	(1,948)	(16,273)
<b>Net movement in funds</b>		(2,838)	(120)	10,156	7,198	683
Total funds brought forward as previously stated		2,838	315	102,995	106,148	105,465
Total funds carried forward	13(a)	-	195	113,151	113,346	106,148

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

The above results are derived from continuing activities.

All gains and losses recognised in the year are included above.

**Consolidated balance sheet as at 31 March 2009**

	Note	Restricted	Unrestricted	Total 2009	Total 2008 (restated*)
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible fixed assets	9(a)	-	992	992	1,050
Tangible fixed assets	9(a)	-	131,204	131,204	104,452
Investments	9(a)	-	23,521	23,521	23,838
		-	155,717	155,717	129,340
<b>Current assets</b>					
Stock – consumables		-	703	703	685
Debtors	10	-	8,809	8,809	7,575
Cash and deposits	11	195	30,010	30,205	22,499
		195	39,522	39,717	30,759
<b>Liabilities</b>					
Creditors: amounts falling due within one year	12	-	(27,543)	(27,543)	(22,025)
<b>Net current assets</b>		195	11,979	12,174	8,734
<b>Total assets less current liabilities</b>		195	167,696	167,891	138,074
Long term bank loans	11	-	(37,494)	(37,494)	(15,456)
Deferred tax liability	17	-	(64)	(64)	(86)
Net assets excluding pension scheme liability		195	130,138	130,333	122,532
Defined benefit pension scheme liability	15	-	(16,032)	(16,032)	(15,092)
<b>Net assets</b>		195	114,106	114,301	107,440
<b>Funds of the Group</b>					
Funds	13	195	129,183	129,378	121,240
Pension liability	15	-	(16,032)	(16,032)	(15,092)
Funds including pension liability		195	113,151	113,346	106,148
Minority interest		-	955	955	1,292
<b>Total funds of the Group</b>	13	195	114,106	114,301	107,440

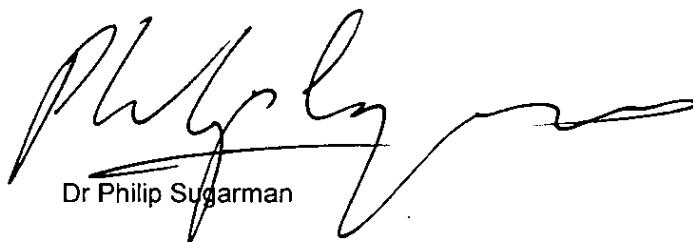
\*There is a prior year adjustment relating to the transfer of original land and buildings transferred to the Charitable Company as detailed in note 2.

Total funds include a revaluation surplus of £7,657,000 (2008: £7,571,000) reflecting the cumulative unrealised gains made on investments held at 31 March 2009.

The financial statements on pages 17 to 39 were approved by the Board of Directors on 26 June 2009 and signed on their behalf on 26 June 2009 by:



Charles Wake  
Members of the Board of Directors



Dr Philip Sugarman

## Charitable Company balance sheet as at 31 March 2009

	Note	Restricted	Unrestricted	Total 2009	Total 2008 (restated*)
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible fixed assets	9(b)	-	135,740	135,740	105,905
Investments	9(b)	-	23,521	23,521	21,142
			<u>159,261</u>	<u>159,261</u>	<u>127,047</u>
<b>Current assets</b>					
Stock – consumables		-	273	273	221
Debtors: amounts falling due after more than one year	10	-	12,750	12,750	13,665
Debtors due within one year	10	-	5,423	5,423	5,722
Cash and deposits	11	195	28,321	28,516	18,319
		<u>195</u>	<u>46,767</u>	<u>46,962</u>	<u>37,927</u>
<b>Liabilities</b>					
Creditors: amounts falling due within one year	12	-	(33,406)	(33,406)	(27,962)
<b>Net current assets</b>		<u>195</u>	<u>13,361</u>	<u>13,556</u>	<u>9,965</u>
<b>Total assets less current liabilities</b>		195	172,622	172,817	137,012
<b>Long term bank loans</b>	11		<u>(36,556)</u>	<u>(36,556)</u>	<u>(14,124)</u>
Net assets excluding pension scheme liability		195	136,066	136,261	122,888
Defined benefit pension scheme liability		-	(16,032)	(16,032)	(15,092)
<b>Net assets</b>		<u>195</u>	<u>120,034</u>	<u>120,229</u>	<u>107,796</u>
<b>Funds of the Company</b>					
Funds brought forward		195	136,066	136,261	122,888
Pension Reserve	15	-	(16,032)	(16,032)	(15,092)
<b>Total funds of the Group</b>	13(b)	<u>195</u>	<u>120,034</u>	<u>120,229</u>	<u>107,796</u>

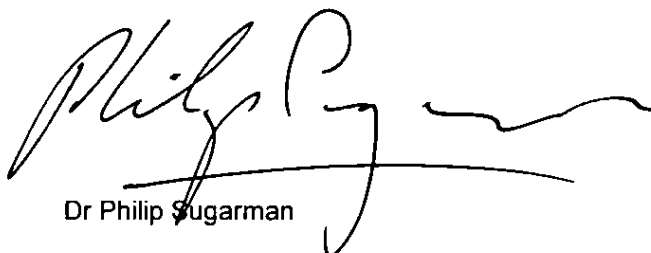
\*There is a prior year adjustment relating to the transfer of original land and buildings transferred to the Charitable Company as detailed in note 2.

Total funds include a revaluation surplus of £7,657,000 (2008: (restated) £7,571,000), reflecting the cumulative unrealised gains made on investments held at 31 March 2009.

The financial statements on pages 17 to 39 were approved by the Board of Directors on 26 June 2009 and signed on their behalf on 26 June 2009 by:



Charles Wake  
Members of the Board of Directors



Dr Philip Sugarman

**Consolidated cash flow statement for year ended 31 March 2009**

	Permanent Endowment	Restricted Funds	Unrestricted Funds	Total 2009	Total 2008 (restated)
	£'000	£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	-	-	18,156	18,156	26,399
Cash donations	-	36	-	36	37
Pension Contribution	-	-	(2,000)	(2,000)	(5,000)
	-	36	16,156	16,192	21,436
<b>Returns on investments and servicing of finance</b>					
Interest received	-	-	1,164	1,164	1,006
Dividends received	-	-	597	597	709
Rental income received	-	-	171	171	62
Interest paid	-	-	(1,431)	(1,431)	(947)
<b>Net cash inflows from returns on investments &amp; servicing of finance</b>	-	-	501	501	830
<b>Taxation</b>	-	-	(166)	(166)	(241)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets	-	-	(31,339)	(31,339)	(21,489)
Sales of tangible fixed assets	-	-	96	96	16
Sales of assets following JV dissolution	-	-	-	-	171
Purchase of investments	-	-	(2,373)	(2,373)	(2,188)
Sale of investments	-	-	2,766	2,766	8,630
<b>Net cash outflow from capital expenditure and financial investment</b>	-	-	(30,850)	(30,850)	(14,860)
<b>Total movements before financing</b>	-	36	(14,359)	(14,323)	7,165
<b>Financing</b>					
Net (decrease)/increase in loans and finance leases	-	-	22,038	22,038	(1,418)
<b>(Decrease)/Increase in cash</b>	-	36	7,679	7,715	5,747
<b>Reconciliation of net cash flow to movement in net funds</b>					
(Decrease)/increase in cash	-	36	7,679	7,715	5,747
Net cash outflow from financing	-	-	(22,038)	(22,038)	1,418
<b>Change in net funds</b>	-	36	(14,359)	(14,323)	7,165
Non-cash transfer between funds	-	(156)	156	-	-
Non-cash transfer re investments	(2,838)	-	2,838	-	-
Net funds at 1 April	2,838	315	2,799	5,952	(1,213)
<b>Net funds at 31 March</b>	-	195	(8,566)	(8,371)	5,952

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

	Permanent Endowment	Restricted Funds	Unrestricted Funds	Total 2009	Total 2008
	£'000	£'000	£'000	£'000	£'000
<b>Net incoming resources</b>	-	36	9,981	10,017	17,197
Tangible fixed assets – depreciation	-	-	3,855	3,855	3,100
Tangible fixed assets – loss of disposal	-	-	(39)	(39)	(173)
Adjustments in value of associated company	-	-	-	-	61
Add pensions finance cost/(income)	-	-	199	199	(1,463)
Decrease in stocks	-	-	(18)	(18)	51
Decrease in debtors & prepayments	-	-	(1,234)	(1,234)	5,400
Decrease in other assets	-	-	(270)	(270)	(309)
Increase in creditors	-	-	5,518	5,518	2,763
Income from investments	-	-	1,932	1,932	1,777
Interest payable	-	-	(1,431)	(1,431)	(988)
Decrease in minority interest	-	-	(337)	(337)	(980)
Donations	-	(36)	-	(36)	(37)
<b>Net cash inflow from operating activities</b>	-	-	18,156	18,156	26,399

## Notes to the financial statements for the year ended 31 March 2009

### 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 (except as explained in note 2), is 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 £116.9m (2008: £102.6m) and the surplus was £10.1m (2008: £17.5m).

#### Funds and reserves

The group is financed out of two funds: unrestricted funds and restricted funds. 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 income funds and are held in respect of specific legacies and donations received where the use of those funds is restricted to a particular purpose by the donor.

#### Permanent endowment fund

The permanent endowment fund represented the balance of funds originally raised on the formation of St Andrew's Hospital.

#### 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 (which has now been merged into St Andrew's Healthcare);
- St Andrews Property Management Limited, an incorporated wholly owned subsidiary undertaking;
- Three Shires Hospital Limited; a subsidiary of St Andrews Property Management Limited;
- The Pavilion Clinic Limited, a subsidiary of Three Shires Hospital Limited.

## **1 Principal Accounting Policies (continued)**

### **Basis of consolidation (continued)**

All subsidiaries have a year end of 31 March, with the exception of The Pavilion Clinic, which has a 30 September year end. Owing to the operational need to have a year end in line with that of the other shareholder, The Pavilion Clinic prepares its accounts to 30 September each year; however interim accounts are drawn up at 31 March for consolidation purposes. Intra-group sales and profits are eliminated on consolidation. New subsidiaries include 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 "Associates 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, other than those held with banks.

### **Basis for allocation of resources expended**

The majority of resources 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.

### **Fixed assets and depreciation**

Intangible fixed assets – acquired goodwill is written off in equal annual instalments over its estimated useful economic life, normally considered to be 20 years. 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:

<b>Asset</b>	<b>Rate</b>	<b>Basis</b>
Buildings	2%	Straight line
Fixtures, fittings and machinery	20%	Straight line
Garden implements	20%	Straight line
Motor vehicles	25%	Reducing balance
Computer equipment	33.3%	Straight line

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

### **Land and Buildings**

Land and buildings represent 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.



## **1 Principal Accounting Policies (continued)**

### **Stocks**

Stocks comprising pharmacy stocks and general stock held in the Group's stores are included at the lower of cost and 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 is accounted for as a restricted fund until expended in the pursuit of the purpose.

### **Investments and investment gains or losses**

Investments, including investment properties, are shown at market value.

Long term investments, where market value is readily ascertainable, are shown at market value; where market value is not readily ascertainable then they are shown at cost, unless in the opinion of the Trustees, they have suffered a permanent diminution of value, when they will be stated net of impairment. Investment property is stated at market value as assessed by external qualified surveyors. 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 5% 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 each year 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 1 April 2003 but remains open to future accrual and continues to require contributions to be made to a separately administered fund. Under exceptional circumstances, the scheme can receive new entrants, such circumstances requiring the full approval of the Board.

The pension liability recognised in the balance sheet is the obligation of the Group being the present value of the 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 cost, 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.

## 1 Principal Accounting Policies (continued)

### Defined benefit scheme (continued)

Net expected return on the pension scheme assets 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 Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The Charitable Company's subsidiaries 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. Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future.

### 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 period adjustment and amendments to comparative figures

Adjustments have been made to the opening balances to account for two changes during the year.

### Inclusion of Service Users Funds (Group and Charitable Company)

Previously, the balances held in respect of service users' funds within St Andrew's bank accounts had been excluded from the primary statements and disclosed only by way of note. As these balances are integral to the Charitable Company, they have now been included with additional information provided within note 12. The adjustment increases cash at bank and in hand and creditors due in less than one year by £1,738,000 at 31 March 2009 (2008: £1,581,000).

### St Andrew's Hospital Assets (Charitable Company)

As previously agreed with the Charity Commission, the original land and buildings of St Andrew's Hospital were never subject to permanent endowment restrictions. As a result, the legal title of the original land and buildings transferred during the year to the Charitable Company, pursuant to a Business Transfer Agreement entered into on 30 July 2004, which had transferred the beneficial title to the original land and buildings held on 30 July 2004. As a result of the transfer, a prior period adjustment of £500,000 has been made to reflect those assets comprising the original land and buildings previously disclosed within St Andrew's Hospital financial statements. The impact of this change has been reflected within fixed assets, reserves and the Charitable Company's balance sheet and related notes.

## 3 Incoming resources for charitable activities

	2009 £'000	2008 £'000
Maintenance fees	130,541	118,231
Other operating income	-	3,111
	<u>130,541</u>	<u>121,342</u>

# St Andrew's Healthcare

## 3 Incoming resources for charitable activities (continued)

Maintenance fees includes £13,850,000 (2008:£13,910,000) in respect of Three Shires Hospital Limited and The Pavilion Clinic Limited, and £nil (2008:£4,934,000) in respect of the joint venture with Cygnet Healthcare which dissolved on 31 August 2007.

Incoming resources from charitable activities above, so far as they can be attributed to the main service areas, are as analysed below:

For year ended 31 March 2009

	<b>Women's Adolescent &amp; Men's Services £'000</b>	<b>Essex Women's &amp; Men's Services £'000</b>	<b>Brain Injury Rehab. £'000</b>	<b>Older Age Services £'000</b>	<b>Other group entities £'000</b>	<b>Total £'000</b>
Maintenance fees	71,563	13,807	16,594	14,907	13,670	<b>130,541</b>
Other operating income	-	-	-	-	-	-

For year ended 31 March 2008

	<b>Women's Adolescent &amp; Men's Services £'000</b>	<b>Essex Women's &amp; Men's Services £'000</b>	<b>Brain Injury Rehab. £'000</b>	<b>Older Age Services £'000</b>	<b>Other group entities £'000</b>	<b>Total £'000</b>
Maintenance fees	60,507	10,585	15,340	13,101	18,698	<b>118,231</b>
Other operating income	-	-	-	-	3,111	<b>3,111</b>

## 4(a) Costs of charitable activities

	<b>2009 £'000</b>	<b>2008 £'000</b>
<b>Direct charitable expenditure</b>		
Staff costs (see note 4)	85,705	78,271
Housekeeping and residents' expenses	12,455	11,887
Establishment	13,037	10,115
Administration	5,141	3,248
Advertising	292	335
Depreciation and amortisation – owned assets	3,566	2,869
Depreciation on finance leases	289	289
Allowance for bad and doubtful debts	89	(399)
Operating lease costs – other than plant and machinery	281	175
<b>Total direct charitable expenditure</b>	<b><u>120,855</u></b>	<b><u>106,790</u></b>

# St Andrew's Healthcare

## 4(a) Costs of charitable activities (continued)

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

For the year ended 31 March 2009

	Women's Adolescent & Men's Services £'000	Essex Women's & Men's Services £'000	Brain Injury Rehab. £'000	Older Age Services £'000	Other group entities £'000	Total £'000
Staff costs (see note 5)	48,780	9,723	11,332	10,847	5,023	85,705
Housekeeping and resident's expenses	4,495	1,078	1,383	1,282	4,217	12,455

For the year ended 31 March 2008

	Women's Adolescent & Men's Services £'000	Essex Women's & Men's Services £'000	Brain Injury Rehab. £'000	Older Age Services £'000	Other group entities £'000	Total £'000
Staff costs (see note 5)	41,606	8,094	11,269	9,142	8,160	78,271
Housekeeping and residents' expenses	3,722	904	823	1,161	5,277	11,887

## 4(b) Governance Costs

	2009 £'000	2008 £'000
<b>Governance Costs of the Group</b>		
External audit – Charitable Company auditors	91	126
External audit – other group auditors	14	20
Charitable Company auditors: taxation services	82	138
Accountancy advice – other group auditors	24	54
Internal audit	31	90
Indemnity insurance	10	13
Trustees' expenses	3	4
<b>Total governance costs of the Group</b>	<b>255</b>	<b>445</b>

During the year, the non-executive Trustees did not receive any remuneration in their role as trustees, or reimbursed expenses from the Group other than a total of £3,039 paid to 5 Trustees (2008: £3,830 paid to 5 Trustees) by way of reimbursement for travelling expenses incurred. All the above costs have been covered from unrestricted funds.

Additional internal audit costs of £76,000 (£2008: £nil) have also been incurred by the Charitable Company and are included within the staff costs note 5.

## 5 Staff costs and emoluments

	Consolidated		Charitable Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Staff costs in note 4(a) are analysed as:</b>				
Gross remuneration	73,107	66,944	68,640	59,775
Employer's NI costs	6,517	5,732	6,193	5,195
Pension contributions	6,081	5,595	5,627	5,205
<b>Staff Costs</b>	<b>85,705</b>	<b>78,271</b>	<b>80,460</b>	<b>70,175</b>

## 5 Staff costs and emoluments (continued)

The average monthly number of whole time equivalent (WTE) persons employed by the Group during the year was 2,363 (2008: 2,384). The equivalent number of WTE persons employed by the Charitable Company was 2,191 (2008: 1,987).

	Consolidated		Charitable Company	
	2008/09	2007/08	2008/09	2007/08
	WTE	WTE	WTE	WTE
Clinical	368	474	333	373
Nursing	1,330	1,359	1,260	1,158
Support	652	536	585	443
Management	13	15	13	13

The number of employees whose total emoluments excluding pension contributions for the year fell in each band of £10,000 from £60,000 upwards is as follows:

	2008/09	2007/08
	Number	Number
£60,001 to £70,000	28	9
£70,001 to £80,000	8	4
£80,001 to £90,000	12	7
£90,001 to £100,000	7	8
£100,001 to £110,000	7	4
£110,001 to £120,000	8	7
£120,001 to £130,000	4	9
£130,001 to £140,000	5	5
£140,001 to £150,000	2	4
£150,001 to £160,000	3	-
£160,001 to £170,000	1	-
£190,001 to £200,000	1	-
£410,001 to £420,000	-	1
£500,001 to £510,000	1	-

The highest paid employee, who was also a director, received total remuneration of £500,623 (2008: £416,147). In addition, the accrued pension entitlement under the defined benefit scheme was £4,151 (2008: £4,191) with respective lump sum entitlement of £12,452 (2008: £12,572).

The contract of employment of one Director was terminated on 10 September 2008. Included within the bandings above for 2008/09 is a termination settlement amounting to £151,600.

In relation to the employees above, contributions of £107,368 (2008: £56,382) were paid in respect of 32 members (2008: 13) of the money purchase pension scheme and 42 (2008: 36) were members of, and had accrued benefits under, the defined benefit scheme (see note 15).

The Board recognises the need to attract and retain able executives to manage the day to day affairs of the Group. The remuneration of senior executives is determined by the Remuneration Committee of the Board, who draw on their knowledge of the current market for equivalent positions in the healthcare and other relevant organisations.

### Directors' emoluments

	2009	2008
	£'000	£'000
Aggregate emoluments	1,158	1,086
Retirement benefits are accruing to 5 (2008: 6) directors under a defined benefit scheme		
The increased annual pension entitlement accruing to the directors under the defined benefits pension scheme	156	176
The increased value of cash sum benefit	469	528

**6 Minority interest share in joint ventures and subsidiary undertakings**

	2009 £'000	2008 £'000
<b>Share of results of the Joint Venture with Cygnet Health Care Limited providing acute psychiatry at "St Andrew's at Harrow" and Northampton (dissolved 31 August 2007)</b>		
- Minority interest share	-	196
- St Andrew's Healthcare share	-	266
<b>Cygnet Health Care Joint Venture surplus</b>	<b>-</b>	<b>462</b>
<b>Share of consolidated results for Three Shires Hospital Limited, a Joint Venture with BMI Healthcare providing acute medical surgical services:</b>		
- Minority interest share	(331)	(263)
- St Andrew's Healthcare share	141	97
<b>Three Shires Hospital Limited deficit</b>	<b>(190)</b>	<b>(166)</b>
- Total minority interest share	(331)	(67)
- Total St Andrew's Healthcare share	141	809
<b>Total Joint Venture (deficit)/surpluses</b>	<b>(190)</b>	<b>742</b>

**7 Interest in subsidiary undertakings**

Investment entity	Holding %	Registered Office	Results for the year
St Andrews Property Management Limited <sup>1</sup>	100%	England & Wales	Net assets: £450,002 Surplus: £90,000
St Andrew's Group of Hospitals Limited <sup>2</sup>	100%	England & Wales	Dormant: Net Assets: £2
Three Shires Hospital Limited <sup>3</sup>	50%	England & Wales	Net assets: £4,368,773 Surplus: £484,985
The Pavilion Clinic Limited <sup>3</sup>	25.5%	England & Wales	Net liabilities: (£1,217,676) Deficit : (£596,685)

<sup>1</sup> At 31 March 2009 the Group's sole active wholly owned incorporated subsidiary undertaking was St Andrews 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 £29,377,000 (2008: £17,069,000) and contributed a profit of £26,909 (2008: £23,000) to the consolidated results. The amount which is donated to the Charitable Company by deed of covenant was £1,456,000 (2008: £1,149,000). 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 £17,601,000 and £17,151,000 respectively (2008: £20,356,000 and £19,996,000).

<sup>2</sup> The Group has a 100% interest in St Andrew's Group of Hospitals Limited. This company has been dormant throughout the year.

<sup>3</sup> The Charitable Company is an indirect shareholder of Three Shires Hospital Limited a company registered in England and Wales. St Andrews Property Management Limited 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 Healthcare in Northampton. The accounts of this company are consolidated from 8 April 2004. Three Shires Hospital Limited, together with Global Diagnostics Limited formed The Pavilion Clinic Limited in July 2007. Three Shires Hospital Limited has the controlling interest and holds 51% of the issued ordinary share capital.

Three Shires Hospital Limited (including the subsidiary undertaking in The Pavilion Clinic Limited contributed £141,000 (2008: £97,000) to the consolidated results of the Group (see note 6) and had a consolidated turnover of £13,850,000 (2008: £13,910,000). The aggregate assets and liabilities of Three Shires Hospital Limited group are £8,773,000 and £5,622,000 respectively (2008: £8,249,000 and £4,817,000).

# St Andrew's Healthcare

## 8(a) Investment income

	2009 £'000	2008 £'000
Dividends	597	709
Interest	1,164	1,006
Rental income	171	62
	<u>1,932</u>	<u>1,777</u>

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

	2009 £'000	2008 £'000
Realised (loss)/gain on disposal of investments	(676)	2,949
Unrealised loss on revaluation of investment assets (see note 8c)	86	(2,934)
<b>Net (loss)/gain</b>	<u>(590)</u>	<u>15</u>

## 8(c) Investment assets (Group and Charitable Company)

	2009		2008	
	Cost £'000	Market Value £'000	Cost £'000	Market Value £'000
Unrestricted funds				
- General reserve investments	14,934	17,688	16,017	22,683
- Well Vale Estates	12	330	12	295
- Bowden House	679	4,650	-	-
- Charity Commissioners deposits	239	853	238	860
Total investment assets	<u>15,864</u>	<u>23,521</u>	<u>16,287</u>	<u>23,838</u>
Surplus of market value over cost		7,657		7,571
Less prior year surplus		(7,571)		(10,505)
Unrealised gain/(loss) on revaluation of investment for the year to 31 March		<u>86</u>		<u>(2,934)</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 investments comprise 68.6% UK securities with a market value of £12,119,000 (2008: (restated) 79.9%, £17,321,000) and 31.5% non-UK securities with a market value of £5,571,000 (2008: (restated) 21.1%, £5,362,000). The Well Vale Estate comprises farming lands of approximately 79 acres (2008: 79 acres). See also note 9. Bowden House is an investment property but currently used by a third party paying a market value rent.

## 8(d) Voluntary income

	2009 £'000	2008 £'000
Other Donations	36	37
	<u>36</u>	<u>37</u>

# St Andrew's Healthcare

## 8(e) Interest payable

	2009 £'000	2008 £'000
Bank loan interest	1,237	909
Finance lease interest	66	31
Other interest	128	49
	<u>1,431</u>	<u>988</u>

## 9 Fixed assets & investments

### (a) Consolidated

Tangible and intangible fixed assets	Freehold land and buildings £'000	Assets under construction £'000	Unrestricted funds (restated*) Fixtures, fittings & machinery £'000	Motor vehicles £'000	Total tangible Assets £'000	Intangible Assets £'000
Cost: At 1 April 2008	95,938	15,764	9,616	245	121,563	1,351
Additions	18,046	9,876	3,381	37	31,340	-
Disposals	(42)	-	(780)	(6)	(828)	-
Reclassification	11,979	(12,056)	77	-	-	-
Transfer to investment properties	(693)	-	-	-	(693)	-
At 31 March 2009	<u>125,228</u>	<u>13,584</u>	<u>12,294</u>	<u>276</u>	<u>151,382</u>	<u>1,351</u>
Depreciation at 1 April 2008	13,022	-	3,883	206	17,111	301
Charge for the year	2,040	-	1,745	12	3,797	58
Disposals	-	-	(711)	(5)	(716)	-
Transfer to investment properties	(14)	-	-	-	(14)	-
At 31 March 2009	<u>15,048</u>	<u>-</u>	<u>4,917</u>	<u>213</u>	<u>20,178</u>	<u>359</u>
Net book value : At 31 March 2009	<u>110,180</u>	<u>13,584</u>	<u>7,377</u>	<u>63</u>	<u>131,204</u>	<u>992</u>
At 31 March 2008	<u>82,916</u>	<u>15,764</u>	<u>5,733</u>	<u>39</u>	<u>104,452</u>	<u>1,050</u>

\*As per note 2, included in freehold land and buildings is £500k reflecting the prior period adjustment of the permanent endowment transfer from St Andrew's Hospital to St Andrew's Healthcare.

	Permanent Endowment £'000	Unrestricted Fund Investment (restated) £'000	Total £'000
Cost: At 1 April 2008	1,153	15,114	16,267
Purchases	-	2,373	2,373
Transfer of investment property from fixed assets	-	679	679
Reanalysis of investments (note 21)	(1,153)	1,153	-
Disposals	-	(3,698)	(3,698)
Realised profit/(loss) reinvested	-	243	243
At 31 March 2009	<u>-</u>	<u>15,864</u>	<u>15,864</u>
Unrealised gains : at 1 April 2008	1,543	6,028	7,571
Reanalysis of investments (note 21)	(1,543)	1,543	-
Gain for the year	-	86	86
At 31 March 2009	<u>-</u>	<u>7,657</u>	<u>7,657</u>
Net book value: at 31 March 2009	<u>-</u>	<u>23,521</u>	<u>23,521</u>
Net book value: at 31 March 2008	<u>2,696</u>	<u>21,142</u>	<u>23,838</u>



# St Andrew's Healthcare

## 9 Fixed assets & investments (continued)

The net book value of tangible assets includes £907,275 (2008: £1,915,511) in respect of assets held under finance leases.

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.

The transfer of investments from permanent endowment to unrestricted funds and restatements are detailed in note 2.

### (b) Charitable Company

Tangible fixed assets	Unrestricted funds (restated*)				Total
	Freehold land and buildings £'000	Assets under construction £'000	Fixtures, fittings & machinery £'000	Motor vehicles £'000	
Cost: At 1 April 2008	99,325	17,167	5,020	234	121,746
Additions	19,634	10,980	2,908	37	33,559
Reclassification	13,152	(13,229)	77	0	-
Transfer to investment property	(693)	0	0	0	(693)
Disposals	0	0	(676)	(6)	(682)
At 31 March 2009	131,418	14,918	7,329	265	153,930
Depreciation at 1 April 2008	12,991	0	2,652	198	15,841
Charge for the year	1,933	0	1,097	10	3,040
Disposals	0	0	(672)	(5)	(677)
Transfer to investment property	(14)	0	0	0	(14)
At 31 March 2009	14,910	0	3,077	203	18,190
Net book value : At 31 March 2009	116,508	14,918	4,252	62	135,740
At 31 March 2008	86,334	17,167	2,368	36	105,905

\*As per note 2, included in freehold land and buildings is £500k reflecting the prior period adjustment of the permanent endowment transfer from St Andrew's Hospital to St Andrew's Healthcare.

	Unrestricted Fund Investments £'000	Total £'000
Cost: At 1 April 2008	15,114	15,114
Purchases	2,373	2,373
Transfer of investment property from fixed assets	679	679
Transfer from St Andrew's Hospital (note 21)	1,153	1,153
Disposals	(2,766)	(2,766)
Realised loss	(689)	(689)
At 31 March 2009	15,864	15,864
Unrealised gains : at 1 April 2008	6,028	6,028
Transfer from St Andrew's Hospital	1,543	1,543
Gain for the year	86	86
At 31 March 2009	7,657	7,657
Net book value: at 31 March 2009	23,521	23,521
Net book value: at 31 March 2008	21,142	21,142

## 10 Debtors

	Consolidated (restated*)		Charitable Company (restated*)	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>a) Long term debtors</b>				
Loan to subsidiary company	-	-	12,750	13,665
<b>b) Current debtors</b>				
Trade debtors	4,770	6,239	3,394	5,025
Amounts due from associated undertakings	0	-	2	135
Other debtors	2,911	421	1,561	179
Prepayment and accrued income	1,128	915	466	383
	<b>8,809</b>	<b>7,575</b>	<b>5,423</b>	<b>5,722</b>

The Charitable Company advanced a loan of £1,250,000 to St Andrews Property Management Limited to enable it to acquire 50% of the shares in the Three Shires Hospital Limited – see note 18 (b). The loan has no ultimate repayment date and bears interest at 7.25% for the first 20 years from 8 April 2004 and then 3.25% above Nat West Bank plc base rate. The Charitable Company entered into a further loan agreement with St Andrews Property Management Limited to enable it to finance the purchase and development of sites in Northampton and Nottinghamshire. The total facility is for £45million and the amount outstanding as at 31 March 2009 was £11,500,000 (2008: £12,415,000) and is at a variable interest rate of 1% per annum above the base rate of Nat West Bank plc. The loan is repayable when St Andrews Property Management Limited transfers, sells or otherwise disposes of the land and/or associated development at the site and/or the Nottinghamshire site or any part thereof.

\* Opening balances are restated as disclosed in note 2.

## 11 Cash at bank and in hand and bank loans

	2009 £'000	Consolidated Movement £'000	2008 (restated) £'000	2009 £'000	Charitable Company Movement £'000	2008 (restated) £'000
<b>Cash and deposits:</b>						
Unrestricted working capital	22,974	9,943	13,031	21,285	12,307	8,978
Unrestricted cash at fund manager	7,036	(1,975)	9,011	7,036	(1,975)	9,011
Permanent endowment funds cash	-	(142)	142	-	-	-
Restricted cash	195	(120)	315	195	(120)	315
	<b>30,205</b>	<b>7,706</b>	<b>22,499</b>	<b>28,516</b>	<b>10,212</b>	<b>18,304</b>
Bank Overdraft	-	-	-	-	-	-
<b>Total Cash and Deposits</b>	<b>30,205</b>	<b>7,706</b>	<b>22,499</b>	<b>28,516</b>	<b>10,212</b>	<b>18,304</b>
<b>Bank Loans and finance leases:</b>						
Repayable within one year, Including within creditors (note 12)	(1,082)	9	(1,091)	(689)	-	(689)
<b>Long term loans and finance leases:</b>						
Repayable within one to two years	(948)	143	(1,091)	(555)	134	(689)
Repayable between two and five years	(17,983)	(16,368)	(1,615)	(17,438)	(16,753)	(685)
Repayable after five years	(18,563)	(5,813)	(12,750)	(18,563)	(5,813)	(12,750)
<b>Creditors: amounts falling due after more than one year</b>	<b>(37,494)</b>	<b>(22,038)</b>	<b>(15,456)</b>	<b>(36,556)</b>	<b>(22,432)</b>	<b>(14,124)</b>
<b>Total bank loans and finance leases</b>	<b>(38,576)</b>	<b>(22,029)</b>	<b>(16,547)</b>	<b>(37,245)</b>	<b>(22,432)</b>	<b>(14,813)</b>
<b>Net (debt) / funds</b>	<b>(8,371)</b>	<b>(14,323)</b>	<b>5,952</b>	<b>(8,729)</b>	<b>(12,220)</b>	<b>3,491</b>

## 11 Cash at bank and in hand and bank loans (continued)

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. Current rate is fixed at 5.5% and is reviewed by the bank on a three month basis.
- £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.
- £23.25m 6 year term loan split into 3 equal tranches of £7.75m, repayable on equal annual instalments following 24 month payment holiday. Interest rates chargeable are as follows:-  
 Tranche 1 £7.75m Base Rate plus 0.55%  
 Tranche 2 £7.75m Fixed Rate for the term of the loan at 6.055%  
 Tranche 3 £7.75m Fixed for 12 months at 5.625% thereafter floating rate

The loans are secured by first legal charges over the Charitable Company's freehold property at Clare House, Basildon, Essex; Cliftonville Middle School, Berkeley Close and The Avenue, Northampton. Following the sale of the healthcare facility at Dogpool Lane, Birmingham in March 2009, the bank are proceeding to take a first legal charge over this property as per the terms of the £23.25m loan agreement.

The total finance lease creditor falling due after more than one year is £819,652 (2008: £1,180,595).

Opening balances are restated as detailed in note 2.

## 12 Creditors

	Consolidated		Charitable Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Bank overdraft and loan (note 11)	(730)	(733)	(689)	(689)
Finance lease (note 11)	(352)	(358)	-	-
Trade creditors	(12,023)	(8,326)	(7,592)	(7,505)
Taxation and social security	(2,097)	(2,051)	(1,801)	(1,640)
Amounts due to participating interests	(643)	(251)	(13,826)	(9,574)
Other creditors	(3,376)	(3,408)	(2,934)	(3,057)
Accruals	(8,322)	(6,898)	(6,564)	(5,497)
<b>Total</b>	<b>(27,543)</b>	<b>(22,025)</b>	<b>(33,406)</b>	<b>(27,962)</b>

Included within other creditors are balances in respect of service users' funds of £1,738,000 (2008: £1,581,000) see note 2.

## 13 Funds

### (a) Consolidated

	Permanent Endowment	Restricted Funds (restated)	Unrestricted Funds (restated)	Total Funds
	£'000	£'000	£'000	£'000
At 1 April 2008 (restated)	2,838	315	102,995	106,148
Net incoming resources	-	36	8,117	8,153
Transfer between funds	-	(156)	156	-
Reanalysis of funds	(2,838)	-	2,838	-
<b>At 31 March 2009</b>	<b>-</b>	<b>195</b>	<b>114,106</b>	<b>114,301</b>

The balance at 31 March 2009 of £114,106k consists of £113,346k unrestricted funds for the Group and £955k of minority interest funds.

# St Andrew's Healthcare

## 13 Funds (continued)

### (b) Charitable Company

	Restricted Funds £'000	Unrestricted Funds (restated) £'000	Total Funds £'000
At 1 April 2008	315	107,481	107,796
Net incoming resources	36	9,559	9,595
Transfer between funds	(156)	156	-
Transfer of investment from St Andrew's Hospital	-	2,838	2,838
<b>At 31 March 2009</b>	<b>195</b>	<b>120,034</b>	<b>120,229</b>

### (c) Transfer between funds

The transfer between funds represents reserves received to acquire fixed assets. As the purchases have now been made they have therefore been transferred to unrestricted funds.

As detailed in note 21, an additional transfer in respect of the Well Vale Estate and investments from St Andrew's Hospital has also been made as detailed in note 2.

### (d) Charitable Company

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

## 14 Commitments

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

	Consolidated		Charitable Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Authorised and contracted for	53,795	14,956	59,119	16,452
	<u>53,795</u>	<u>14,956</u>	<u>59,119</u>	<u>16,452</u>

At the year end, the annual commitments under non-cancellable operating leases for land and buildings, were:-

	Consolidated		Charitable Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Expiring:				
Within one year	-	-	-	-
Between one and five years	153	153	-	-
After five years	270	270	-	-
	<u>423</u>	<u>423</u>	<u>-</u>	<u>-</u>

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

	Consolidated		Charitable Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Expiring:				
Within one year	50	54	48	54
Between one and five years	17	43	4	41
After five years	63	-	-	-
	<u>130</u>	<u>97</u>	<u>52</u>	<u>95</u>

## St Andrew's Healthcare

### 15 Pension Schemes

The Group operates two pension schemes, the assets of which 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 for the defined contribution scheme. The defined benefit scheme is accounted for in line with FRS17.

#### 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 £966,000 (2008: £709,000).

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

The group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out as at 31 March 2007 and updated to 31 March 2009 by a qualified independent actuary.

The major assumptions used by the actuary were:	2009	2008	2007
Rate of increase in salaries	5.00%	5.00%	4.50%
Rate of increase in pension in payment	3.50%	3.50%	3.00%
Rate of increase of pensions in deferment	3.50%	3.50%	3.00%
Discount rate	7.00%	6.00%	5.20%
Inflation assumption	3.50%	3.50%	3.00%

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

	Male	Female	Male	Female
Member age 65 (current life expectancy)	22.0	24.9	22.0	24.8
Member age 45 (life expectancy at age 65)	23.1	25.9	23.1	25.9

The assets in the scheme and the expected rate of return were:

	Expected Long Term Rate of Return	Percentage of Plan Assets	£'000 Market Value of Plan Assets	Expected Long Term Rate of Return	Percentage of Plan Assets	£'000's Market Value of Plan Assets
Equity Scheme	6.75%	57.66%	56,735	7.25%	72.06%	84,383
Debt Securities	6.75%	23.04%	22,676	5.25%	19.60%	22,953
Real Estate	6.75%	2.30%	2,260	7.25%	2.76%	3,231
Cash	2.00%	17.00%	16,728	5.25%	5.58%	6,534
<b>Total Assets</b>	<b>6.75%</b>	<b>100.00%</b>	<b>98,399</b>	<b>6.75%</b>	<b>100%</b>	<b>117,101</b>

Liabilities in the scheme were:

	31 March 2009	31 March 2008
Total market value of assets	98,399	117,101
Present value of scheme liabilities	(114,431)	(132,487)
Total surplus/(deficit) in the schemes	(16,032)	(15,386)
Effect of surplus cap	-	-
Recoverable surplus/(deficit) in the schemes	(16,032)	(15,386)
Related deferred tax liability	-	-
Net pension asset (liability)	(16,032)	(15,386)

# St Andrew's Healthcare

## 15 Pension Schemes (continued)

### Change in benefit obligation

	31 March 2009	31 March 2008
Benefit obligation at beginning of year	132,487	120,766
Current service cost	5,115	4,886
Interest cost	8,211	6,493
Plan participants' contributions	1,120	1,503
Actuarial (gain)/loss	(28,075)	4,224
Benefits paid from plan / company	(3,730)	(4,591)
Expenses paid	(697)	(794)
<b>Benefit obligation at end of year</b>	<b>114,431</b>	<b>132,487</b>

### Change in plan assets

	31 March 2009	31 March 2008
Fair value of plan assets at beginning of year	117,101	116,538
Expected return on plan assets	8,012	7,933
Actuarial gain/(loss) on plan assets	(30,023)	(12,009)
Employer contributions	6,616	8,521
Member contributions	1,120	1,503
Benefits paid from plan/company	(3,730)	(4,591)
Expenses paid	(697)	(794)
<b>Fair value of plan assets at end of year</b>	<b>98,399</b>	<b>117,101</b>

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

	31 March 2009	31 March 2008
Current service cost	5,115	4,886
Past service cost	-	-
<b>Total operating charge</b>	<b>5,115</b>	<b>4,886</b>

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

	2009 £'000	2008 £'000
Expected return on pension scheme assets	8,012	7,933
Interest on pension scheme liabilities	(8,211)	(6,493)
<b>Net (finance cost)/income</b>	<b>(199)</b>	<b>1,440</b>

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

	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	(30,023)	(12,009)
Experience gains (losses) arising on the scheme liabilities	183	(3,516)
Changes in assumptions underlying the present value of the scheme liabilities	27,892	(708)
<b>Actuarial gain recognised in SOFA</b>	<b>(1,948)</b>	<b>(16,233)</b>

## 15 Pension Schemes (continued)

### Movement in deficit during the year

	2009 £'000	2008 £'000
Deficit in scheme at beginning of year	(15,386)	(4,228)
<b>Movement in year:</b>		
Contributions	6,616	8,521
Current service cost	(5,115)	(4,886)
Past service costs	-	-
Other finance (costs)/income	(199)	1,440
Settlement cost	-	-
Curtailment cost	-	-
Actuarial (loss)	(1,948)	(16,233)
Business combinations	-	-
Exchange rate	-	-
Deficit in scheme at end of the year	(16,032)	(15,386)

### History of experience gains and losses

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
<b>Difference between the expected and actual return on scheme assets:</b>					
Amount	(30,023)	(12,009)	(68)	16,286	3,766
Percentage of scheme assets	(31%)	(10%)	(0.1%)	15%	5%
<b>Experience gains and losses on scheme liabilities:</b>					
Amount	183	(3,516)	115	(362)	225
Percentage of present value of scheme liabilities	0%	(3%)	0.1%	(0.3%)	0.2%
<b>Total amount recognised in statement of total recognised gains and losses:</b>					
Amount	(1,948)	(16,233)	(1,034)	12,245	(13,831)
Percentage of present value of scheme liabilities	(2%)	(12%)	(0.9%)	10.9%	13.6%

As a result of the required adoption in these financial statements of the Amendments to FRS17 Retirement Benefits dated 7 December 2006 for financial years ending after 5th April 2008 values originally quoted in the financial statements for 31 March 2008 have changed. The Amendment requires that current bid price be used instead of mid-market value for the fair value of the quoted securities held by pension schemes.

## 16 Taxation

As a charity, St Andrew's Healthcare 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. The taxation charge of £281,012 (2008: £256,349) 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 of the subsidiaries for the year was as follows:

	2009 £'000	2008 £'000
<b>Current tax:</b>		
UK corporation tax	320	261
Over / under provision in prior year	(17)	(4)
Total current tax	303	257
Deferred tax (note 17)	(22)	(1)
Tax on profit on ordinary activities of subsidiaries	281	256

UK corporation tax was charged at 28% in 2009 (2008: 30%).

## St Andrew's Healthcare

### 16 Taxation (continued)

#### 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:

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	91	87
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 30%)	25	26
Effects of:		
Expenses not deductible for tax purposes	34	2
Depreciation add back	240	236
Capital allowances	(130)	(209)
Other timing differences	22	-
Other taxation adjustments	(17)	(4)
Tax losses	129	206
Current tax charge	303	257

### 17 Deferred taxation

	2009 £'000
Balance at 1 April 2008 – accelerated capital allowances Utilised in the year	86 (22)
Balance at 31 March 2009 – accelerated capital allowances	64

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

On 1 April 2009, Workbridge Enterprises Limited merged with St Andrew's Healthcare as detailed in note 22.

#### (b) Three Shires Independent Hospital

Three Shires Independent Hospital, The Avenue, Cliftonville, Northampton, NN1 5DR was a registered charity operating within the groups 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 Healthcare 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 Andrews Property Management Limited, acquired a 50% holding in the new company, Three Shires Hospital Limited, 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 Limited. BMI and St Andrews Property Management Limited entered into a shareholders agreement governing the operation on Three Shires Hospital Limited. The Three Shires Hospital Limited 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.



## St Andrew's Healthcare

### 18 Connected charities and associated company (continued)

#### (c) The Pavilion Clinic Limited

The Pavilion Clinic Limited, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ is a private company incorporated in January 2007, and 51% owned by the Three Shires Hospital Limited. The remaining 49% of the shares are held by The Global Clinic Northampton Limited. The Pavilion Clinic provides a diagnostic centre of excellence in a dedicated environment, with consulting and physiotherapy services.

#### (d) St Andrew's Group of Hospitals Limited

This company is a wholly owned subsidiary and is currently dormant.

### 19 Related party transaction

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.

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

	2009 £'000	2008 £'000
<b>Workbridge Enterprises Limited</b>		
Rent receivable on leasehold land	45	45
Management and facility services	1	9
Work experience therapy purchased	(253)	(252)

Some of the Directors of St Andrew's Group of Hospitals are also directors of Three Shires Hospital Limited..

### 20 Related party balances

Included within debtors and creditors are the following material balances between the connected charities and the associated company:

	Consolidated		Charitable Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Workbridge Enterprises Limited (creditor)	-	(21)	-	(21)
Workbridge Enterprises Limited (debtor)	-	14	-	14

### 21 Permanent endowment Well Vale estate and investments

On 25 July 2008 the Trustees resolved pursuant to section 75(a) Charities Act 1993 (as amended in 2006), that the Well Vale Estate and associated investments could be best used by the Group to achieve their charitable objectives if the assets were freed from restriction. The Charity Commission concurred with this view and accordingly both the land and investments were gifted from St Andrew's Hospital to St Andrew's Healthcare during the year with the legal and beneficial title to the Well Vale estate transferring on 21 October 2008. At the same time the assets were released from permanent endowment to unrestricted reserves.

### 22 Post Balance Sheet Events

On 1 April 2009 Workbridge Enterprises Limited and St Andrew's Healthcare merged.

### 23 Ultimate controlling organisation

The Directors consider that the ultimate controlling organisation is St Andrew's Healthcare.