# MEDICAL SERVICES INTERNATIONAL LIMITED

**(Registered number 01416977)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2019**

# Contents

# Strategic report

The Directors present their Strategic Report for Medical Services International Limited (the "Company" and also known as "Cromwell Hospital") for the year ended 31 December 2019.

**Business Review**

The principal activity of the Company for the year was that of a private hospital operator in London providing medical and ancillary services to patients. The Company is a subsidiary of Bupa Group.

**Results**

The profit for the year, after taxation, amounted to £1,166,000 (2018: loss of £2,771,000). As at 31 December 2019 the Company's net assets amounted to £71,171,000 (2018: £70,125,000).

**Significant Events**

During the year the Company entered into partnership with Genesis Cancer Care UK Limited ("GCCUK") to form the London Oncology and Wellbeing Centre Limited ("LOWC") on 29th August 2019. GCCUK operates the LOWC and shares the financial risks and rewards of the LOWC Business with the Company. Details of the associate are contained in note 11 of the financial statements.

**Key Performance Indicators**

The results for the year and the financial position at the end of the year were in line with expectation. The Directors expect the Company to continue to trade profitably in the future. The key drivers of the business are:

| | 2019 | 2018 | Analysis |
|---|---|---|---|
| Turnover (£'000) | 105,860 | 94,151 | Increased revenues in 2019 due to higher patient volumes. |
| Gross Profit (%) | 18.2% | 11.2% | Increase in Gross Profit % due to improved cost efficiencies. |
| Outpatient visits | 146,994 | 131,154 | Increase in outpatient due to increase activity in orthopaedics. |

**Definitions and Method of Calculation**

| | |
|---|---|
| *Gross Profit %* | Gross Profit as a proportion of turnover expressed as a %. |
| *Outpatients visits* | Total number of patient appointments attended without being admitted to a bed. |

**Business Model**

The hospital has an international reputation for excellence and is continually investing in the world's most advanced diagnostic and treatment technologies. This covers a range of healthcare needs from fundamental outpatient services to treating conditions requiring complex multi-disciplinary care, patients travel for treatment from all over the world. The Company recognises its corporate responsibility to carry out its activities whilst minimising environmental impacts. The Directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible. The Company is committed to achieving the highest practicable standards in health and safety management and strives to make all sites and offices safe environments for employees and patients alike. Details of the number of persons employed and gross remuneration are contained in note 5 in the financial statements.

# Strategic report (continued)

### Workforce engagement

**Culture and our people**
The Bupa Board is responsible for establishing Bupa's purpose, values and strategy and ensuring that our culture is aligned to these at all levels of the organisation. In order to do our best for our customers, we need to take care of our people and this will lead to strong and sustainable performance for the benefit of our purpose of helping people live longer, healthier, happier lives.

Our culture is shaped by our values and the Bupa Code which sets out what we expect from our people to help them live our values and achieve our purpose. As part of our Five Year Vision, the Bupa Board has also recently agreed a number of leadership imperatives, a set of competencies specific to customer, people, performance and purpose. These will help our senior leaders across the business to deliver performance through putting customers at the heart of everything we do and helping our people be at their best. All employees are required to complete mandatory training on the Bupa Code and other areas including information security and privacy, risk management, conflicts of interest and financial crime.

The Bupa Board monitors behaviours in a number of ways including:

- measuring our people's engagement level through our People Pulse survey tool semi-annually
- considering semi-annually the level of, and themes arising from, reports received through our 'Speak-Up' whistleblowing process and customer complaints
- taking into account how our people have lived our values and followed the Bupa Code in achieving their performance goals.

**Engaging our people**
The Code requires boards to understand the views of companies' key stakeholders and recommends a number of methods for engaging with our people. We believe that our existing people engagement mechanisms and channels, as enhanced during the year, provide an effective means of engaging with our people. Our existing engagement methods are described in more detail below.

**Listening**
The Bupa Group listens to its people and promotes a positive, flexible working environment and a diverse and inclusive culture so everyone can be their authentic selves at work. Our People Pulse survey tool provides sophisticated insights and benchmarking with other companies, so we can learn and listen to what is of interest or concern to our people and act, where appropriate, on what our people are telling us. The survey is run twice a year, and 70% of our people in the Bupa Group took part in the survey conducted in November 2019. The Bupa Board receives reports on the results of each survey and challenges management on the level of participation and action taken to address key themes arising from the results. Overall, the Bupa Group's engagement score has stayed constant at 78 out of 100.

There is a very proactive programme of internal communications via email, the intranet, presentations, and internal social media platforms. We also have employee forums for areas such as training and development, IT and security and for local office issues.

# Strategic report (continued)

**Diversity and inclusion**
Our approach to diversity and our philosophy is based on inclusion for all. DiverCity, our employee network in the UK raises awareness and understanding of all areas of diversity and inclusion with groups focusing on topics including gender, ethnicity, LGBTQ+, mental wellbeing, ability, faith and working families. We are also working with INvolve to harness LGBTQ+, ethnic minority and female talent and help drive positive cultural change and increase diversity at all levels of our workforce and in the talent pipeline. We are also members of Business Disability International which helps companies and individuals to adapt the workplace and challenge attitudes to disability. The recruitment, training, career development and promotion of all employees is based on the skills, knowledge and experience of the individual and takes no account of age, disability, race, beliefs, gender, sexual orientation or other characteristics. Should employees become disabled during employment, every effort is made to continue their employment and, if necessary, appropriate training is provided.

Having a diverse workforce and an inclusive, accessible working environment, brings fresh views to the table and reflects the customers we serve and communities within which we operate. The People pillar of our corporate responsibility and sustainability (CRS) strategy aims to promote diversity and inclusion during 2020 by further embedding a culture that gives our people the freedom to be their whole selves at work, empower diverse and high performing teams and ensure that our people practices and policies support our people.

**Mental health and wellbeing**
Our approach to mental health focuses on raising awareness, creating supportive workplaces, encouraging open conversations and providing access to support and care. We are raising awareness of mental wellbeing in the workplace, encouraging open conversations and providing access to support and care through regular internal communications, campaigns such as for World Mental Health Day; online information, our Performance Energy resilience programme and training mental health first aiders.

**Engaging with our stakeholders (section 172(1) statement)**

The Board has a duty to promote the success of the Company for the benefit of its members as a whole having regard to the interests of our customers, our people, our relationship with our suppliers and the impact of our operations on the communities in which we operate, and to ensure that we maintain a reputation for high standards of business conduct.

Our key stakeholders are our customers and our people. Our suppliers, regulators and the communities we operate in are also important stakeholder groups. All key Board decisions take into account the impact on relevant stakeholders. Increasingly, stakeholders are looking to understand our performance across multiple areas from performance to products and services, innovation, governance, workplace practices and corporate citizenship. The Board endeavours to gain an understanding of the perceptions and attitudes of each stakeholder group and the weight they give to different issues. Where the views of different stakeholder groups do not align, the Board must decide on the best course of action to promote the Company's long-term success.

**Customers**
Customers are at the heart of our business. We aim to deliver truly outstanding, customer experiences, ensuring great clinical outcomes and value for money.

Key issues for customers include:
- affordability of health insurance
- high quality products with broad coverage and high standards of care
- simpler and quicker access to services, such as through digital applications

# Strategic report (continued)

## Engaging with our stakeholders (section 172(1) statement) (continued)

### People
As a service organisation, our people are key to our business. We want our people to feel engaged and empowered to deliver great outcomes for our customers and be healthier and happier themselves. A twice-yearly people survey (People Pulse) is run across Bupa in order to assess engagement across the group.

Key issues for employees across the Bupa Group, based on the People Pulse survey include:
- Company Prospects – being excited about Bupa's future;
- Customer focus – helping to deliver a great customer experience
- Collaboration – focusing on efficient and effective working practices across teams;
- Empowerment – feeling empowered to make decisions regarding their work.

Our approach is led locally with all teams planning actions in the light of the People Pulse results and the Board and management team have engaged with our people on the issues important to them.

### Regulators
The Company is regulated by the Care Quality Commission "CQC" Regulators ultimately aim to protect customers and ensure that they receive high levels of care and are treated fairly. This clearly aligns with our strategy to put our customers front and centre.

The CQC expect us to:

- have robust and effective processes and controls in place to mitigate risks to protect our patients
- provide a high-quality, clinically robust services
- ensure we operate in a sustainable way.

We have an open and honest relationship with the CQC and self-report incidents, work with the CQC to ensure we meet regulatory requirements and act quickly to address any issues or concerns raised.

### Suppliers
Suppliers are critical to delivering a high-quality service to our customers and include systems suppliers and suppliers of products to our hospital. We aim to treat our suppliers fairly and pay them within agreed timescales, holding ourselves to high standards of business conduct. We work with our suppliers to ensure that they have effective controls in place to protect our customers' health and safety and the security and privacy of their data.

### Communities and environment
We play an active role in the communities in which we operate and take care of the environment. The Bupa Group has dedicated Foundations in Australia, Spain and the UK to channel some of our investment. Community and the environment form two pillars of Bupa's CRS strategy and we currently have a global focus on mental wellbeing and resilience. Bupa has recently partnered with Mind in the UK to provide mental health resources for children and young people and for those who support them. Bupa is evaluating the business risks and opportunities associated with climate change, closely managing our environmental impact and actively promoting positive environmental practices. In 2019, the Bupa Group started to define our new set of ambitions to respond to the current environment of climate emergency.

# Strategic report (continued)

**Board decisions and their impact on stakeholders**

**New venture – oncology services at the Cromwell Hospital**
The Board approved a partnership agreement with global oncology specialist GenesisCare as part of Bupa's strategy to create a centre of excellence in oncology, in addition to radiotherapy, at the Bupa Cromwell Hospital.

There are considerable benefits to the arrangement including de-risking dependence on a single consultant, access to industry leading radiotherapy capability and quality, a more efficient operating model and opportunities for our people to upskill and expand their capabilities.

**Future Outlook**

The Directors expect the Company to become profitable in the future and meet the changing demands for healthcare, ensuring the hospital continues to be one of London's leading private hospitals.

**Principal Risks and Uncertainties**

The Company and its strategy are subject to a number of risks and uncertainties.

The process of the UK leaving the EU also brings significant risks and uncertainties as a deal between the UK and EU has still not been agreed. The potential of a 'no deal' is still plausible and could lead to significant commercial, operational and legal impacts on UK businesses.

While the UK Government has committed to ensuring EU citizens currently resident in the UK will be able to remain following the UK's exit from the EU, its draft post-Brexit immigration rules mainly focus on high-skilled migrants and will impact the health and social care sector's ability to recruit sufficient staff. Uncertainty also remains regarding the wider impact on the UK economy.

On March 11, 2020, the World Health Organization declared Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world. Most governments are taking restrictive measures to contain the spread and the situation is significantly affecting the global economy, due to the interruption or slowdown of supply chains and the significant increase in economic uncertainty, evidenced by an increase in the volatility of asset prices, exchange rates and a decrease in long-term interest rates.
As the implications of COVID-19 are indicative of conditions that arose after the end of the reporting period end, it is a subsequent event that does not require any adjustments to the annual accounts for the financial year 2019.

Whilst it is not possible, at this stage, to accurately estimate the financial impacts of this crisis, the Directors note, as at the date of approval of these financial statements the Hospital remains open providing services to support the NHS alongside critical private patient care. Since the year end the pension scheme funding gap has widened but this has been mitigated with the hedging strategy in place. However, as at the date of approval of these financial statements, it is not currently considered that there are any significant doubts over the Company's ability to continue as a going concern for at least a year from the date of approval of these financial statements. We continue to monitor our business for potential impacts and to manage the associated risks.

# Strategic report (continued)

**Principal Risks and Uncertainties (continued)**

***Price Risk***

The Company has exposure to general price risk resulting from inflationary pressures. The Company has implemented policies to ensure that it gets value for money from its service providers whilst ensuring that the highest quality treatment is provided to patients. The Company has no exposure to equity securities price risk as it holds no listed or other equity investments.

***Credit Risk***

The Company has implemented policies to ensure that patient treatment is approved in advance by the patients' sponsoring companies and organisations.

***Debtor Risk***

The Company has developed a framework for following up on debt, including an escalation process for when debt exceeds a certain period.

***Liquidity Risk***

The Company has no external debt financing. It has access to financing from related parties that is designed to ensure the Company has sufficient available funds for operations and planned expansions.

Further information relating to the Company, as applicable to the Bupa Group as a whole, is set out in the discussion of business risks and uncertainties section of the Bupa Group's annual report and accounts, which does not form part of this report. Annual Report of the ultimate parent company, The British United Provident Association Limited ("Bupa"). The Bupa Group consists of Bupa and its direct and indirect subsidiary entities.

Registered Office:
Cromwell Hospital
Cromwell Road
London

SW5 0TU
14 August 2020

**By Order of the Board**

M Harrison

**M Harrison**
**Director**

# Directors' Report

The Directors present their annual report and the financial statements of the Company for the year ended 31 December 2019.

**Dividends**

The Directors do not recommend the payment of a dividend for the year (2018: £nil).

**Going Concern**

These financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings. As of the 31st December, the Company had net current assets of £14.7m, no external debt and had access to a funding facility with Bupa Finance Plc, the ultimate parent company.
The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of COVID-19, the Company will have sufficient funds, through funding from Bupa Finance plc, to meet its liabilities as they fall due for that period.

The assumptions made in the base-case cashflow:

- Since the year end the Company entered into a short-term agreement with the NHS allowing full access to the hospital's facilities to provide routine treatment to patients not diagnosed with Covid-19. The Directors have assumed continuation of this agreement for a period of time ("NHS period") ending in Q3 2020 during which the NHS contribution towards costs benefits short term cash-flow.
- Following cessation of the NHS agreement, private patient revenue is expected to recover, with no material deterioration in short-term performance.
- Whilst cash collection from newer debt will fall in the short term due to a reduction of private patient revenue during the NHS period, recovery of older debt, is expected to continue.
- Those forecasts are dependent on Bupa Finance plc not seeking repayment of the amounts currently due from the group, which at 31 December 2019 amounted to £0.6m.

The specific downside cashflow forecast where only contractual revenue is included, other revenues take longer to recover and fixed costs remain consistent indicate a higher dependency on the Group's funding facility but still at a level which has been deemed acceptable in the past and with no indication from Group that this would not be permissible in the next 12 months.

The directors have considered the impact of the COVID-19 pandemic on the ability of Bupa Finance Plc to provide the financial support required by the company. Bupa Finance Plc's going concern status has been considered and, based on its current position, forecast results and solvency capital, it has been concluded that Bupa Finance Plc has adequate resources to operate for at least the next 12 months from the approval of these financial statements. Therefore, the directors are confident that Bupa Finance Plc can provide financial support up to the level required for at least the next 12 months. Bupa Finance plc has indicated its intention to continue to make available such funds as are needed by the Group, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

# Directors' Report (continued)

## Directors

Details of the present Directors and any other persons who served as a Director during the year are set out below:

| | | |
|---|---|---|
| M Conway | Resigned | 24 May 2019 |
| P C Franklin | Resigned | 22 May 2019 |
| W P Close | Appointed | 17 May 2018 |
| M Harrison | Appointed | 17 May 2018 |
| P A E Luce | Appointed | 17 May 2018 |
| B Buckley | Appointed | 22 May 2019 |

## Companies (Audit, Investigations and Community Enterprise) Act 2004

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company.

## Political Contributions

The Company made no political donations or incurred any political expenditure during the year (2018: nil).

## Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that:

- so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

## Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Registered Office:

Cromwell Hospital
Cromwell Road

London
SW5 0TU

14 August 2020

**By Order of the Board**

**M Harrison**
**Director**

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

# Independent auditor's report to the members of Medical Services International Limited

## Opinion

We have audited the financial statements of Medical Services International Limited ("the company") for the year ended 31 December 2019 which comprise the profit and loss account, statement of other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

KPMG

# Independent auditor's report to the members of Medical Services International Limited (continued)

### Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

### Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

KPMG

# Independent auditor's report to the members of Medical Services International Limited (continued)

**The purpose of our audit work and to whom we owe our responsibilities**

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

**Chrissy Douka (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
15 Canada Square
London
E14 5GL
18 August 2020

# Profit and loss account
**For the year ended 31 December 2019**

| | Note | **2019 £'000** | 2018 £'000 |
|---|---|---|---|
| Turnover | 4 | 105,860 | 94,151 |
| Cost of sales | | (86,541) | (83,634) |
| **Gross profit** | | 19,319 | 10,517 |
| Administrative expenses | | (6,996) | (4,623) |
| Profit on disposal of fixed assets | 7 | 22 | - |
| Other operating expenses | 7 | (12,557) | (8,505) |
| Sundry Income | 8 | 6,036 | - |
| Interest payable and similar expenses | 6 | (6,550) | (761) |
| **Loss before tax** | | (726) | (3,372) |
| Tax on loss | 9 | 1,892 | 601 |
| **Profit for the financial year** | | 1,166 | (2,771) |

All activities relate to continuing operations in the UK.

The accounting policies and notes on pages 17 to 42 form part of these financial statements.

# Statement of other comprehensive income

**For the year ended 31 December 2019**

| | Note | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| Profit/(Loss) for the year | | 1,166 | (2,771) |
| *Items that will not be reclassified to profit or loss:* | | | |
| Remeasurement (Loss)/gains on pension schemes | 18 | (144) | 1,438 |
| Taxation on remeasurement gains on pension schemes | 19 | 24 | (244) |
| Other comprehensive income for the year, net of tax | | (120) | 1,194 |
| **Total comprehensive (loss)/income for the year for the year ended 31 December** | | 1,046 | (1,577) |

The accounting policies and notes on pages 17 to 42 form part of these financial statements.

# Balance sheet
**as at 31 December 2019**

| | Note | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 10 | 1,231 | 844 |
| Investments in associates | 11 | 6,291 | - |
| Tangible assets | 12 | 157,897 | 45,448 |
| | | 165,419 | 46,292 |
| **Current assets** | | | |
| Stocks | 13 | 2,889 | 2,216 |
| Debtors | | 50,022 | 55,422 |
| - due within one year | 14 | 43,935 | 50,612 |
| - due after one year | 14 | 6,087 | 4,810 |
| Cash at bank and in hand | | 718 | 483 |
| | | 53,629 | 58,121 |
| **Creditors: amounts falling due within one year** | 15 | (39,355) | (27,432) |
| **Net current assets** | | 14,724 | 30,689 |
| **Total assets less current liabilities** | | 179,693 | 76,981 |
| **Creditors: amounts falling due after more than one year** | 16 | (101,809) | - |
| **Provisions for liabilities** | 18 | (6,713) | (6,856) |
| **Net assets** | | 71,171 | 70,125 |
| **Capital and reserves** | | | |
| Called up share capital | 20 | 78,650 | 78,650 |
| Share premium | | 11,988 | 11,988 |
| Profit and loss account | | (19,467) | (20,513) |
| **Shareholders' funds** | | 71,171 | 70,125 |

These financial statements were approved by the board of Directors and were signed on its behalf by:

**M Harrison**
**Director**
14 August 2020

Registered number: 01416977

The accounting policies and notes on pages 17 to 42 form part of these financial statements.

# Statement of changes in equity

| | Note | Called up share capital £'000 | Share premium £'000 | Profit and loss account £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2019** | | 78,650 | 11,988 | (20,513) | 70,125 |
| Profit for the year | | - | - | 1,166 | 1,166 |
| **Other comprehensive income for the year:** | | | | | |
| Actuarial losses on pension schemes | 18 | - | - | (144) | (144) |
| Movement on deferred tax relating to pension deficits | 19 | - | - | 24 | 24 |
| **Balance as at 31 December 2019** | | 78,650 | 11,988 | (19,467) | 71,171 |
| **Balance at 1 January 2018** | | 41,950 | 11,988 | (18,936) | 35,002 |
| Loss for the year | | - | - | (2,771) | (2,771) |
| **Other comprehensive income for the year:** | | | | | |
| Actuarial gains on pension schemes | 18 | - | - | 1,438 | 1,438 |
| Movement on deferred tax relating to pension surplus | 19 | - | - | (244) | (244) |
| Share capital issued | | 36,700 | - | - | 36,700 |
| **Balance as at 31 December 2018** | | 78,650 | 11,988 | (20,513) | 70,125 |

The accounting policies and notes on pages 17 to 42 form part of these financial statements.

# Notes to the Financial Statements

## 1. Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company is a private company incorporated, domiciled and registered in England in the United Kingdom.

### 1.1 Basis of preparation

The financial statements have been prepared on a going concern basis and under the historical cost convention, in accordance with applicable UK accounting standards.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 where advantage of the FRS 101 disclosure exemptions has been taken. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Accounting policy 2.

### 1.2 Exemptions from the Requirements of IFRS

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries within the consolidated group;
- Disclosures in respect of capital management;
- An additional balance sheet for the beginning of the earliest comparative period following the transition to FRS 101;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.
- Disclosures in respect of tangible and intangible assets for comparative periods.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group (note 3).

# Notes to the Financial Statements (continued)

## Accounting policies (continued)

### 1.2 Exemptions from the Requirements of IFRS (continued)

As the consolidated financial statements of Bupa include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

### 1.3 Going Concern

These financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings. As of the 31st December, the Company had net current assets of £14.7m, no external debt and had access to a funding facility with Bupa Finance Plc, the ultimate parent company.
The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of COVID-19, the Company will have sufficient funds, through funding from Bupa Finance plc, to meet its liabilities as they fall due for that period.

The assumptions made in the base-case cashflow:

- Since the year end the Company entered into a short-term agreement with the NHS allowing full access to the hospital's facilities to provide routine treatment to patients not diagnosed with Covid-19. The Directors have assumed continuation of this agreement for a period of time ("NHS period") ending in Q3 2020 during which the NHS contribution towards costs benefits short term cash-flow.
- Following cessation of the NHS agreement, private patient revenue is expected to recover, with no material deterioration in short-term performance.
- Whilst cash collection from newer debt will fall in the short term due to a reduction of private patient revenue during the NHS period, recovery of older debt, is expected to continue.
- Those forecasts are dependent on Bupa Finance plc not seeking repayment of the amounts currently due from the group, which at 31 December 2019 amounted to £0.6m.

The specific downside cashflow forecast where only contractual revenue is included, other revenues take longer to recover and fixed costs remain consistent indicate a higher dependency on the Group's funding facility but still at a level which has been deemed acceptable in the past and with no indication from Group that this would not be permissible in the next 12 months.

The directors have considered the impact of the COVID-19 pandemic on the ability of Bupa Finance Plc to provide the financial support required by the company. Bupa Finance Plc's going concern status has been considered and, based on its current position, forecast results and solvency capital, it has been concluded that Bupa Finance Plc has adequate resources to operate for at least the next 12 months from the approval of these financial statements. Therefore, the directors are confident that Bupa Finance Plc can provide financial support up to the level required for at least the next 12 months. Bupa Finance plc has indicated its intention to continue to make available such funds as are needed by the Group, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

# Notes to the Financial Statements (continued)

### 1.4 Standards Adopted by the Company

The Company has adopted IFRS 16 Leases with a date of initial application of 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

As a lessor the IAS 17 distinction between operating and finance leases is removed under IFRS 16, with all lease rights and obligations now being recognised in the statement of financial position on a similar basis to finance leases under IAS 17. A lease liability is recognised for all leases, reflecting the present value of the lease payments discounted using the relevant individual lessee company's incremental borrowing rate. The lease liability is measured at amortised cost and settled over the life of the lease. A corresponding lease asset is also recognised and depreciated over the life of the lease.

The Company has applied IFRS 16 using the modified retrospective approach, where the right-of-use assets equal the lease liabilities on transition, adjusted by the amount of any prepayments, intangible assets and onerous lease provisions.

In applying IFRS 16 on transition, the Company has used the following practical expedients permitted by the standard:

- The Company has elected not to reassess whether a contract is or contains a lease as defined in IFRS 16 at the date of initial application. For contracts entered into before the transition date, the Group relied on its assessment made when applying IAS 17 and IFRIC 4.
- For the majority of leases, reliance has been placed on previous assessments of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- The exclusion of initial direct costs for the measurement of the right-of-use asset at transition date.

The Company has no leases previously classified as finance leases and does not act as a lessor.

On transition the Company recognised right of use property and medical equipment assets of £109,556,000 and £37,000 respectively and lease liabilities of £104,184,000.

The impact of the adoption of IFRS 16 is set out below:

| | As reported | Adjustments | Balances without adoption of IFRS 16 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Leasehold properties (right-of-use assets) | 107,036 | (107,036) | - |
| Medical equipment (right-of-use assets) | 663 | (663) | - |
| Receivables and prepayments | 3,337 | 5,939 | 9,276 |
| Lease liabilities | (104,781) | 104,781 | - |
| Payables and accruals | (28) | (139) | (167) |
| Impact on net assets | 6,227 | 2,882 | 9,109 |

# Notes to the Financial Statements (continued)

**Accounting policies (continued)**

### 1.4 Standards Adopted by the Company (continued)

The following reconciliation to the opening balance for the lease liabilities as at 1 January 2019 is based upon the operating lease obligation as at 31 December 2018.

| | £'000 |
|---|---|
| Operating lease commitments at 31 December 2018 as disclosed in prior year accounts | 195,856 |
| Effect of discounting using the incremental borrowing rate at 1 January 2019 | (87,669) |
| Lease liabilities recognised under IFRS 16 at 1 January 2019 | 104,184 |

The weighted average lessee's incremental borrowing rate applicable to the lease liabilities on 1 January 2019 was 6.01%.

The hospital lease is subject to annual rent increases based on the October RPI. As these variable rate increases can not be accurately predicted, any increases are reflected as a remeasurement in the right-of-use asset and lease liability with no impact to the P&L.

Following the adoption of IFRS 16, the Company has reviewed its estimates of restoration provisions. Consequently, the provision has been increased by £83,000, of which £4,000 has been expensed in the current period and £79,000 adjusted to the right-of-use asset.

The following financial reporting standards, amendments and interpretations have been issued but are not effective for the year ended 31 December 2019 and have not been early adopted by the Company. They are not expected to have a significant impact when they are effective.

- IFRS 3 – Business Combinations amendment
- IAS 1 and IAS 8 amendments

### 1.5 Turnover

Turnover is measured as the consideration specified in a contract with a customer and is recognised when control of a product or service is transferred to a customer.

The Company recognises the majority of its revenue from medical and ancillary fees that typically relate to short term services that have fixed, rather than variable, transaction prices and there is generally no significant judgement required when considering the time pattern of revenue recognition. Every patient has an individual contract that specifies the service being provided, the performance obligation, and the transaction price. The performance obligation is the provision of treatment and associated care which is satisfied over the period of the contract as such the turnover is recognised as the service is transferred to the customer.

### 1.6 Interest Income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

# Notes to the Financial Statements (continued)

**Accounting policies (continued)**

### 1.7 Employee Benefits

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the profit and loss account as incurred.

### 1.8 Leases

In previous financial periods leases were assessed and reported under IAS 17.

The Company's leases relate to properties and medical equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases will often include extension and termination options, open market rent reviews or indexation uplifts.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the individual lessee company's incremental borrowing rate taking into account the duration of the lease.

Lease payments include fixed payments, variable lease payments that depend on an index or a rate, payments related to optional extension and termination periods if the Company is reasonably certain to exercise or not to exercise the option, respectively. Variable lease payments included in the lease liability do not include increases or decreases that are dependent on a future unknown index or rate.

The lease liability is subsequently measured at amortised cost using the effective interest method, with the finance cost charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. It is remeasured when there is a change in future lease payments arising from a change in index or rate, or if the Company changes its assessment of whether it will exercise an extension or termination option. The lease liability is recalculated using a revised discount rate if the lease term changes as a result of a modification or re-assessment of an extension or termination option.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore properties to their original condition, less any lease incentives received. The right-of-use asset, excluding restorations costs, is depreciated on a straight-line basis over the lease terms. In addition, the right-of-use asset may be adjusted for certain remeasurements of the lease liability, such as indexation and market rent review uplifts. Restoration costs included in the right-of-use asset are amortised over the same term as the corresponding provision, which may be longer than the IFRS 16 contractual lease term.

The Company has elected not to recognise the right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less or leases that are of low value (£4,000). Lease payments associated with these leases are expensed on a straight-line basis over the lease term.

### 1.9 Taxation and Deferred Taxation

The taxation expense on the profit for the year comprises current and deferred taxation. Income taxation is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised directly in the statement of comprehensive income.

Current taxation is the expected taxation payable on the taxable profit for the year, using taxation rates enacted or substantively enacted at the balance sheet date, and any adjustments to taxation payable in respect of previous years.

# Notes to the Financial Statements (continued)

## 1.9 Taxation and Deferred Taxation (continued)

Deferred taxation is recognised in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not recognised: goodwill not deductible for taxation purposes and the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The amount of deferred taxation recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation rates enacted or substantively enacted at the balance sheet date.

Deferred taxation is recognised on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Trading losses surrendered to other Bupa Group subsidiary undertakings are made on a full payment basis.

## 1.10 Intangible Assets

**Computer software**
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised and charged to the profit and loss over their estimated useful lives, which does not exceed three years.

# Notes to the Financial Statements (continued)

**Accounting policies (continued)**

## 1.11 Tangible Assets

All tangible fixed assets are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

| | |
|---|---|
| Leasehold improvements | Lower of asset life and remaining term of the lease |
| Medical equipment | 5 to 15 years |
| Plant and machinery | 10 to 30 years |
| Fixtures, fittings and equipment | 5 to 7 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the profit and loss account in the period they arise.

Assets under construction are held at cost until commissioned for use at which they point they are depreciated at the rates mentioned above.

## 1.12 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on a FIFO basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

## 1.13 Impairment of Non Financial Assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

# Notes to the Financial Statements (continued)

## Accounting policies (continued)

### 1.14 Financial Assets

**Classification**
The Company classifies its financial assets in the following categories: at fair value through profit or as amortised cost. It does not have any assets categorised as fair value through other comprehensive income. Th classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and recognises them at fair value.

(i) **Financial assets at fair value through profit or loss**
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise they are classified as non-current investments.

(ii) **Amortised cost**
Financial assets where the contractual characteristics represent solely payments of principal and interest and the objective is to hold the instrument to collect cash flows over its life. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables.

**Recognition and Measurement**
Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss' category are presented in the profit and loss account within interest income or expenses in the period in which they arise.

**Impairment of Financial Assets**
Under IFRS 9, impairment provisions for expected credit losses ('ECL') are recognised for financial assets measured at amortised cost. An allowance for either 12-month or lifetime ECL is required, depending on whether there has been a significant increase in credit risk since initial recognition. The measurement of ECL reflects a probability-weighted outcome, the time value of money and the best available forward-looking information. The Company measures the loss allowance for trade receivables at an amount equal to the lifetime ECL.

Investments in associates are carried at cost less impairment. If the carrying amount of an investment in an associate exceeds its recoverable amount, an impairment loss is recognised and allocated to the investment as a whole.

# Notes to the Financial Statements (continued)

## Accounting Policies (continued)

### 1.14 Financial Assets (continued)

**Trade and Other Receivables**
Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### 1.15 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

### 1.16 Share Capital

Ordinary shares are classified as equity.

### 1.17 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 1.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the Financial Statements (continued)

## Accounting Policies (continued)

### 1.19 Provisions

Provisions are recognised when:
- the Company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 1.20 Pensions and Similar Obligations

The Company operates a defined benefit pension scheme, The Cromwell Hospital Retirement Benefits Plan, which provides benefits based on final pensionable pay.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

Past-service costs are recognised immediately in the profit and loss account. For defined contribution plans, the Company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

# Notes to the Financial Statements (continued)

**Accounting Policies (continued)**

### 1.21 Equity accounted investments

Associated companies include those entities in which the Company has significant influence, but no right to direct the activities which determine the variable returns it receives from the entity.

Associated companies are accounted for using the equity method and are initially recognised at cost. The cost of the investment includes transaction costs. The carrying value of the investment is adjusted for the Company's share of any post acquisition profits or losses of the associated entity.

If the Company's share of losses exceeds its interest in an equity accounted investment, the carrying amount of that interest (including any long-term interests that, in substance, form part of the Company's net investment), is reduced to nil. In addition, the recognition of further losses is discontinued except to the extent that the Company has an obligation to make payments on behalf of the equity accounted investment.

## 2. Critical Accounting Estimates and Judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful Economic Lives of Tangible Fixed Assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(b) Impairment of Trade Receivables

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

(c) Impairment of Stocks

The Company has a significant volume of stocks with short life expiry date. A reduction in sale can have a significant impact on the profit and loss account and balance sheet of the Company.

## 3. Immediate and Ultimate Parent Company

The immediate parent undertaking of the Company is Cromwell Health Group Limited, with its registered office at Cromwell Hospital, Cromwell Road, London, SW5 0TU.

The ultimate parent undertaking of the Company, and the largest group into which these financial statements are consolidated, is Bupa, with its registered office at 1 Angel Court, London, EC2R 7HJ. The smallest group into which these financial statements are consolidated is that headed by Bupa Finance Plc, with its registered office at 1 Angel Court, London, EC2R 7HJ.

Copies of the accounts of both companies can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

# Notes to the Financial Statements (continued)

## 4. Turnover

Turnover comprises

| | **2019** | 2018 |
|---|---|---|
| | **£'000** | £'000 |
| Medical and ancillary services | 105,860 | 94,151 |

## 5. Staff costs and Directors' remuneration

### (i) Staff costs

The average monthly number of persons employed by the Company during the year, analysed by category, was as follows:

| | **2019** | 2018 |
|---|---|---|
| Administration | 201 | 191 |
| Medical | 435 | 420 |
| | 636 | 611 |

The aggregate payroll costs of those persons were as follows:

| | **2019** | 2018 |
|---|---|---|
| | **£'000** | £'000 |
| Wages and salaries | 38,262 | 32,012 |
| Social security costs | 2,997 | 2,794 |
| Other pension costs | 1,682 | 1,754 |
| | 42,941 | 36,560 |

### (ii) Directors' remuneration

Directors were not paid directly from the Company. Emoluments paid to Directors who are also Directors of Bupa Group companies are disclosed in the financial statements of those companies. The total attributable value of Directors emoluments assigned to the Company for the year was £2,020,466 (2018: £1,603,000). The highest paid Director had total emoluments of £816,736 (2018: £279,000).

## 6. Interest payable and similar charges

| | **2019** | 2018 |
|---|---|---|
| | **£'000** | £'000 |
| Interest payable to Bupa Group undertakings | 100 | 761 |
| Finance cost in respect of leases | 6,450 | - |
| | 6,550 | 761 |

# Notes to the Financial Statements (continued)

## 7. Profit before taxation

Profit before taxation is stated after charging:

| | Note | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| Depreciation of tangible fixed assets | 12 | 10,798 | 5,700 |
| Interest costs | 6 | 6,550 | 761 |
| Profit on disposal of tangible assets | | 22 | - |
| Amortisation of intangible assets | 10 | 505 | 386 |
| *Expenses relating to low value assets, excluding short term* assets of low value | | 2 | - |
| Operating lease rentals: | | | |
| - land and buildings | | - | 9,129 |
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | | 82 | 63 |

Fees for the audit of the Company represent the amount payable to the Company's auditor.

## 8. Sundry income

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Transfer of trade and control of radiotherapy assets | (6,000) | - |
| **Total sundry income** | (6,000) | - |

The trade and control of MSIL's radiotherapy assets was transferred to Genesis Cancer Care UK for £6.3m during the year. This resulted in a gain of £6.0m.

## 9. Tax on Loss

### (i) Tax included in profit or loss

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| UK corporation tax on (loss)/profit for the year | 15 | (576) |
| Adjustments in respect of prior periods | (1,925) | 138 |
| Total current tax | (1,910) | (438) |
| **Deferred tax** | | |
| Origination and reversal of timing differences | 98 | 179 |
| Change in tax rates | - | - |
| Adjustments in respect of prior periods | (80) | (342) |
| Total deferred tax | 18 | (163) |
| **Total tax on loss** | (1,892) | (601) |

# Notes to the Financial Statements (continued)

## 9. Tax on Loss (continued)

### (ii) Current and deferred taxation recognised directly in other comprehensive income

Deferred taxation (charge)/credit in respect of:

| | **2019** | 2018 |
|---|---|---|
| | **£'000** | £'000 |
| Remeasurement gain/ (loss) on pension schemes | 24 | (244) |
| **Total tax included in other comprehensive income** | (24) | (244) |

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £234,000.

### (iii) Reconciliation of effective taxation rate

| | **2019** | 2018 |
|---|---|---|
| | **£'000** | £'000 |
| Loss before taxation | (726) | (3,372) |
| Taxation (income)/expense at the domestic UK corporation tax rate of 19% (2018:19%) | (138) | (641) |
| Effects of: | | |
| Non-deductible expenses | 267 | 265 |
| Non-assessable income | (4) | |
| Current income taxation adjustments in respect of prior periods | (1,925) | 138 |
| Deferred taxation adjustments in respect of prior periods | (80) | (342) |
| Change in taxation rates | (12) | (21) |
| **Actual tax credit** | (1,892) | (601) |

# Notes to the Financial Statements (continued)

## 10. Intangible assets

| | Software |
|---|---|
| **2019** | £'000 |
| **Cost** | |
| At 1 January 2019 | 4,178 |
| Additions | 721 |
| Disposals | (11) |
| Reclassification | 170 |
| At 31 December 2019 | 5,058 |
| **Amortisation** | |
| At 1 January 2019 | 3,333 |
| Charge for the year | 505 |
| Disposals | (11) |
| At 31 December 2019 | 3,827 |
| **Net Book Value** | |
| At 31 December 2019 | 1,231 |
| At 31 December 2018 | 844 |

The reclassification relates to assets under construction that are transferred to its respective category once that asset is commissioned for use.

## 11. Investment in associates

| | |
|---|---|
| **2019** | £'000 |
| **Cost** | |
| At 1 January 2019 | - |
| Additions | 6,291 |
| At 31 December 2019 | 6,291 |
| **Allowances for impairment** | |
| At 1 January 2019 | - |
| At 31 December 2019 | - |
| **Net Book Value** | |
| At 31 December 2019 | 6,291 |
| At 31 December 2018 | - |

# Notes to the Financial Statements (continued)

## 11. Investment in associates (continued)

During the year the Company entered into partnership with Genesis Cancer Care UK Limited ("GCCUK") to form the London Oncology and Wellbeing Centre Limited ("LOWC") on 29th August 2019. GCCUK operates the LOWC and shares the financial risks and rewards of the LOWC Business with the Company., The investments in associate is stated at cost less allowance for impairment.

| Name | Place of incorporation and operation | Nature of Business | Proportion of ownership interest % | Proportion of voting power held % |
|---|---|---|---|---|
| London Oncology and Wellbeing Centre Limited | United Kingdom | Provision of medical services | 42 | 50 |

# Notes to the Financial Statements (continued)

## 12. Tangible fixed assets

| **Cost** | Leasehold properties | Assets under construction | Medical Equipment | Plant and machinery | Furniture, fixtures and fittings | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2019 | 37,816 | 6,136 | 28,742 | 32,320 | 17,946 | 122,960 |
| Recognition of right-of-use assets on initial application of IFRS 16 (see not 1.4) | 109,556 | | 37 | | | 109,593 |
| Additions | 3,564 | 3,464 | 2,814 | 1,279 | 365 | 11,486 |
| Disposal | (2,306) | | (4,826) | (291) | (51) | (7,474) |
| Remeasurement | 2,571 | - | - | - | - | 2,571 |
| Reclassification | 1,514 | (2,262) | 382 | 196 | - | (170) |
| At 31 December 2019 | 152,715 | 7,338 | 27,149 | 33,504 | 18,260 | 238,966 |
| **Depreciation** | | | | | | |
| At 1 January 2019 | 10,892 | - | 22,410 | 26,899 | 17,312 | 77,513 |
| Charge for the year | 7,370 | - | 1,975 | 1,337 | 116 | 10,798 |
| Disposals | (2,306) | - | (4,663) | (224) | (50) | (7,243) |
| At 31 December 2019 | 15,956 | - | 19,722 | 28,012 | 17,378 | 81,068 |
| **Net Book Value** | | | | | | |
| At 31 December 2019 | 136,759 | 10,733 | 7,427 | 5,492 | 882 | 161,293 |
| At 31 December 2018 | 26,924 | 6,136 | 6,332 | 5,422 | 634 | 45,448 |

Leasehold properties include right-of-use asset balances relating to the recognition of leased properties of £109,556K relating to the Hospital lease and administrative offices, additions of £39K relating to restoration provisions for the administrative offices, a remeasurement on the hospital lease of £2,570K and depreciation in the year of £5,130K. The carrying value at the end of the year of leasehold properties right-of-use assets is £107,036K.

Medical equipment includes the recognition of right of use assets of £37K, additions in the year of £709K and depreciation of £83K. The carrying value at the end of the year of medical equipment right-of-use assets is £663K

The reclassifications relate to assets under construction which are transferred to their respective categories once assets are commissioned for use.

# Notes to the Financial Statements (continued)

## 13. Stocks

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Pharmacy drugs and medical consumables | 2,889 | 2,216 |

There is no material difference between the balance sheet value of stocks and their replacement costs. Stock is stated after provision of £21,000 (2018: £1,000)

## 14. Debtors

| Due within one year | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Trade receivables | 40,939 | 41,033 |
| Other receivables | 515 | 3 |
| Prepayments and accrued income | 1,862 | 9,497 |
| Amounts owed by Bupa Group undertakings | 619 | 79 |
| | 43,935 | 50,612 |

Trade receivables fall due within one year. Trade receivables are stated after provisions for impairment of £2,054,000 (2018: £1,465,000).

| Due after one year | Note | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| Prepayments | | 4,097 | 2,826 |
| Deferred tax | 19 | 1,990 | 1,984 |
| | | 6,087 | 4,810 |

Included within prepayments falling after one year is £3,181,000 (2018: £3,337,000) relating to renegotiation fees for the hospital lease, £799,000 (2018: £859,000) of stamp duty paid on property lease, recognised over the length of the lease. In 2018, prepayments falling after one year also includes a credit of £2,118,000 relating to the reimbursement of capital expenditure and tomotherapy funding, which is recognised over the length of the lease. In 2019, this credit was included in the Hospital right-of-use asset value on transition.

## 15. Creditors – Amounts Falling Due within One Year

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Amounts owed to Bupa Group undertakings | 26,958 | 18,166 |
| Other creditors including taxation and social security | 1,928 | 2,680 |
| Accruals and deferred income | 7,414 | 6,586 |
| Lease liability | 3,055 | - |
| | 39,354 | 27,432 |

Amounts owed to Bupa Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

# Notes to the Financial Statements (continued)

## 16. Creditors – Amounts Falling Due after more than One Year

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Lease liability | 101,726 | - |
| Restoration provision | 83 | - |
| At 31 December 2019 | 101,809 | - |

## 17. Lease Liability

| | 2019 £'000 |
|---|---|
| At 1 January 2019 | - |
| Adoption of IFRS 16 leases (note 1) | 104,184 |
| Increase in value | 709 |
| Remeasurements | (2,570) |
| Interest on lease liabilities | 6,450 |
| Payments | (9,133) |
| At 31 December 2019 | 104,781 |

*The maturity of the undiscounted contractual cashflows are as follows:*

| | 2019 £'000 |
|---|---|
| Less than one year | 9,309 |
| Two to five years | 36,554 |
| Greater than five years | 139,246 |
| | 185,109 |

The company is not committed to any leases that have not yet commenced.

# Notes to the Financial Statements (continued)

## 18. Provisions for Liabilities and Charges

**Pension and similar obligations**

The Company sponsors the Cromwell Hospital Retirement Benefits Plan, a funded defined benefit pension scheme in the UK. The Plan is administered within a trust which is legally separate from the Company. Trustees are appointed by both the Company and the Plan's membership and act in the interest of the Plan and all relevant stakeholders, including the members and the Company. The Trustees are also responsible for the investment of the Plan's assets. The main priority of the Trustees when considering the investment policy is to ensure that promises made about members' pensions may be fulfilled. To ensure this, investments are spread across the available range, both by type of investment (equities, bonds etc.) and geographically. Spreading the investments in this way reduces the risk of a sharp fall in one particular market having a substantial impact on the whole fund.

The valuation of the scheme is determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. Recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 5 April 2017. The liabilities for these accounting disclosures have been calculated on a member by member basis using the assumptions set out below. The present value of the defined benefit obligation and the related current service cost were measured using the projected unit credit method.

Responsibility for making good any deficit within the scheme lies with the Company and this introduces a number of risks for the Company. The major risks are: interest rate risk; inflation risk; investment risk; and longevity risk. The Company and the Trustees are aware of these risks and manage them through appropriate investment and funding strategies. The Trustees manage governance and operational risks through a number of internal controls policies, including a risk register.

The Trustees manage the risks associated with death-in-service benefits by purchasing insurance policies to offset the cost of providing those benefits.

A Recovery Plan was put in place following the 5 April 2014 actuarial valuation to eliminate the deficit as calculated on the valuation assumptions. The Recovery Plan shows that additional employer contributions will be paid to the Plan at the rate of £438,000 per annum, payable in equal monthly instalments for a period of 12 years commencing 1 April 2018. These contributions are additional to the required future service contributions of 38.2% of active members' pensionable salaries.

# Notes to the Financial Statements (continued)

### 18. Provisions for Liabilities and Charges (continued)

#### (i) Assets and liabilities of the scheme

The amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit pension scheme is as follows:

| | **2019** | 2018 |
|---|---|---|
| | **£'000** | £'000 |
| Fair value of scheme assets | 45,632 | 39,603 |
| Present value of defined benefit obligations | (52,345) | (46,459) |
| Deficit in scheme | (6,713) | (6,856) |

Assets are taken into the disclosure at fair value at the Measurement Date. In accordance with the stipulations of the accounting standard, fair value is the bid value of the invested assets where applicable.

The Plan invests in asset-liability matching strategies via investments in Gilts and LDI. These asset classes are expected to increase (/decrease) in value in response to changes in market conditions that increase (/decrease) the value of the liabilities. As such, these investments reduce the volatility of the Plan's deficit. The LDI investments are leveraged. The major categories of the scheme assets are as follows:

| | **2019** | 2018 |
|---|---|---|
| | **£'000** | £'000 |
| UK Equities | 2,583 | 2,129 |
| Overseas Equities | 6,027 | 4,969 |
| Multi-Asset Fund | 11,969 | 10,827 |
| Total return seeking | 20,578 | 17,925 |

| | **2019** | 2018 |
|---|---|---|
| | **£'000** | £'000 |
| LDI Fixed | 5,368 | 5,511 |
| LDI Real | 2,663 | 3,325 |
| Gilts | 10,568 | 9,454 |
| Index Linked | 2,231 | 2,100 |
| Debt instruments | 20,829 | 20,390 |

| | **2019** | 2018 |
|---|---|---|
| | **£'000** | £'000 |
| Cash | 4,224 | 1,288 |
| Total other | 4,224 | 1,288 |

# Notes to the Financial Statements (continued)

## 18. Provisions for Liabilities and Charges (continued)

### (i) Assets and liabilities of the scheme (continued)

The split of the scheme's liabilities by category of membership is as follows:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Active members | (10,590) | (8,846) |
| Deferred pensioners | (19,381) | (16,957) |
| Pensions in payment | (22,374) | (20,656) |
| Total scheme liabilities | (52,345) | (46,459) |

Average duration of the scheme's liabilities at the end of the period (years) is 18 years (2018: 17 years).

### (ii) Amounts recognised in the profit and loss account

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Current service cost | 332 | 389 |
| Net interest on defined benefit asset/liability | 191 | 208 |
| Past service cost | - | 139 |
| Charge recognised in P&L | 523 | 736 |

### (iii) Amounts recognised directly in other comprehensive income

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| (Return)/ loss on assets excluding interest income | (5,502) | 2,503 |
| Loss/ (gain) arising from changes to experience assumptions | 6,674 | (3,047) |
| Gain arising from changes to demographic assumptions | (956) | (283) |
| Experience gain | (72) | (611) |
| (Debit) recognised in other comprehensive income | 144 | (1,438) |

### (iv) Present value of scheme obligations

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| At 1 January | 46,459 | 50,963 |
| Current service costs | 332 | 389 |
| Interest on obligations | 1,331 | 1,266 |
| Past service costs | - | 139 |
| Contributions by employees | 68 | 66 |
| Loss /(gain) arising from changes to financial assumptions | 6,674 | (3,047) |
| (Gain) arising from changes to experience assumptions | (72) | (611) |
| (Gain) arising from changes to demographic assumptions | (956) | (283) |
| Benefits paid | (1,491) | (2,423) |
| At 31 December | 52,345 | 46,459 |

# Notes to the Financial Statements (continued)

## 18. Provisions for Liabilities and Charges (continued)

### (v) Fair value of funded scheme assets

| | **2019** | 2018 |
|---|---|---|
| | **£'000** | £'000 |
| At 1 January | 39,603 | 42,585 |
| Interest income | 1,140 | 1,058 |
| Return on assets excluding interest income | 5,502 | (2,503) |
| Contributions by employer | 810 | 820 |
| Contributions by employees | 68 | 66 |
| Benefits paid | (1,491) | (2,423) |
| At 31 December | 45,632 | 39,603 |

The market values of the assets of the funded schemes are as follows:

| | **2019** | 2018 |
|---|---|---|
| | **£'000** | £'000 |
| UK equities | 2,583 | 2,129 |
| Overseas equities | 6,027 | 4,969 |
| Multi assets funds | 11,969 | 10,827 |
| Corporate | 20,829 | 20,390 |
| Cash | 4,224 | 1,288 |
| | 45,632 | 39,603 |

# Notes to the Financial Statements (continued)

## 18. Provisions for Liabilities and Charges (continued)

### (vi) Actuarial assumptions

The principal actuarial assumptions were

| | **2019** | 2018 |
|---|---|---|
| Liability discount rate | 2.05% | 2.90% |
| Inflation assumption CPI | 2.00% | 2.20% |
| Rate of increase in salaries | 3.30% | 3.70% |
| Revaluation of deferred pension | | |
| - CPI subject to a minimum of 3% | 3.00% | 3.00% |
| Increases for pension in payments | | |
| - CPI subject to a maximum of 3% | 1.97% | 2.19% |
| - CPI subject to a maximum of 5% | 3.30% | 3.01% |
| Mortality assumption – pre and post retirement | SAPS S2 year of birth tables with an 87% scaling factor and with an allowance for future improvements in longevity in line with the CMI 2018 projection tables with a 1.5% per annum long term trend | SAPS S2 year of birth tables with an 87% scaling factor and with an allowance for future improvements in longevity in line with the CMI 2017 projection tables with a 1.5% per annum long term trend |
| Future expected life of current pensioner at age 65 | | |
| - Male aged 65 now | 22.7 | 23.2 |
| - Female aged 65 now | 24.6 | 25.1 |
| Future expected life of future pensioner at age 65 | | |
| - Male aged 65 in 20 years | 24.4 | 24.9 |
| - Female aged 65 in 20 years | 26.4 | 26.9 |

The table below shows the sensitivity analysis based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (projected unit credit method) has been applied as when calculating the pension liability recognised within the balance sheet. The method and type of assumption did not change.

| Assumption | Change in assumption | Indicative impact on scheme liabilities |
|---|---|---|
| Discount rate | Increase/decrease by 0.5% | -8.1% to + 9.3% |
| Rate of inflation | Increase/decrease by 0.5% | -1.4% to + 2.0% |
| Rate of increase in salaries | Increase/decrease by 0.5% | -0.7% to + 0.8% |
| Rate of mortality | Increase/decrease by one year | -4.4% to + 4.4% |

The Company expects to contribute £772,000 (2019: £839,000) to the Plan during the year ending 31 December 2020.

# Notes to the Financial Statements (continued)

## 19. Deferred Tax

Deferred taxation is analysed as follows

| | 2019 Assets £'000 | 2019 Liabilities £'000 | 2019 Total £'000 | 2018 Assets £'000 | 2018 Liabilities £'000 | 2018 Total £'000 |
|---|---|---|---|---|---|---|
| Accelerated capital allowances | 834 | - | 834 | 829 | - | 829 |
| Post employment benefit liability | 1,142 | - | 1,142 | 1,155 | - | 1,155 |
| Provisions | 14 | - | 14 | | - | |
| | 1,990 | - | 1,990 | 1,984 | - | 1,984 |

The movement in deferred taxation is as follows

| | At 1 January 2019 £'000 | Recognised in profit and loss account £'000 | Recognised in other comprehensive income £'000 | At 31 December 2019 £'000 |
|---|---|---|---|---|
| Accelerated capital allowances | 829 | 5 | - | 834 |
| Post employment benefit liability | 1,155 | (37) | 24 | 1,142 |
| Provisions | - | 14 | - | 14 |
| | 1,984 | (18) | 24 | 1,990 |

| | At 1 January 2018 £'000 | Recognised in profit and loss account £'000 | Recognised in other comprehensive income £'000 | At 31 December 2018 £'000 |
|---|---|---|---|---|
| Accelerated capital allowances | 621 | 208 | - | 829 |
| Post employment benefit liability | 1,444 | (45) | (244) | 1,155 |
| | 2,065 | 163 | (244) | 1,984 |

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £234,000.

## 20. Called up share capital

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| **Equity interest** | | |
| 78,649,985 (2018: 76,649,985) ordinary shares of £1 each | 78,650 | 78,650 |

On 13 December 2018, the Company issued 36,700,000 ordinary shares of £1 at par.

# Notes to the Financial Statements (continued)

## 21. Contingent Liabilities, Guarantees and Other Financial Commitments

**(i) Contingent Liabilities**
The Company has no contingent liabilities at the end of either year.

**(ii) Guarantees**
The Company has no outstanding guarantees at the end of either year.

**(iii) Financial Commitments**
The Company has no financial commitments at the end of the year

**(iv) Capital Commitments**
The Company has no outstanding capital commitments at the end of either year.

## 22. Related party transactions

The Company has applied the disclosure exemptions available under FRS 101 in respect of transactions with wholly owned subsidiaries within the consolidated group.

See note 5 for disclosure of the Directors' remuneration. All related party transactions are made at arm's length.

## 23. Post Balance Sheet Events

On March 11, 2020, the World Health Organization declared Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world. Most governments are taking restrictive measures to contain the spread and the situation is significantly affecting the global economy, due to the interruption or slowdown of supply chains and the significant increase in economic uncertainty, evidenced by an increase in the volatility of asset prices, exchange rates and a decrease in long-term interest rates.

As the implications of COVID-19 are indicative of conditions that arose after the end of the reporting period end, it is a subsequent event that does not require any adjustments to the annual accounts for the financial year 2019. Whilst it is not possible, at this stage, to accurately estimate the financial impacts of this crisis, the Directors note, as at the date of approval of these financial statements the Hospital remains open providing services to support the NHS alongside critical private patient care. Since the year end the pension scheme funding gap has widened but this has been mitigated with the hedging strategy in place. However, as at the date of approval of these financial statements, it is not currently considered that there are any significant doubts over the Company's ability to continue as a going concern for at least a year from the date of approval of these financial statements. We continue to monitor our business for potential impacts and to manage the associated risks.