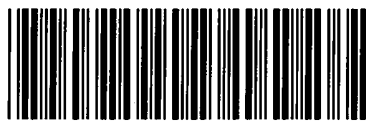


MEDICAL SERVICES INTERNATIONAL LIMITED
(Registered number 1416977)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

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Strategic report

The Directors present their Strategic Report for Medical Services International Limited (the "Company") for the year ended 31 December 2017.

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.

Results

The profit for the year, after taxation, amounted to £78,000 (2016: £1,926,000). As at 31 December 2017, the Company net assets amounted to £35,002,000 (2016: £30,345,000).

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:

	2017	2016	Analysis
Turnover (£'000)	95,030	102,234	Decreased revenues in 2017 due to a change in payor mix, towards insurance customers, offset by increased patient volumes.
Gross Profit (%)	13.9%	17.7%	Fall in Gross Profit % due to higher discounts in the period.
Debtor days	144	127	Increase primarily due to overdue embassy debt and lower annual revenues.
Outpatient visits	131,115	133,826	Outpatient volumes broadly in line with Prior year

Definitions and Method of Calculation

<i>Gross Profit %</i>	Gross Profit as a proportion of turnover expressed as a %.
<i>Debtor days</i>	Trade debtors (before bad debt) divided by total invoiced turnover multiplied by number of days in the year.
<i>Patient numbers</i>	Number of unique patients across all patient types.
<i>Outpatients visits</i>	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 and 8 to the financial statements.

Strategic report (continued)

Future Outlook

The directors expect the Company to continue to trade profitably 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. In addition, it is anticipated that there will be increasing legislation and regulation.

The UK Government triggered Article 50 on 29 March 2017 to start the formal process of leaving the EU. While there will be commercial, operational and legal impacts from the UK's eventual exit from the EU, it is too early to conclude how the UK exit will affect the Company's businesses, customers and employees. While the UK Government has set out its intention to leave the 'Single Market', uncertainties remain relating to limitations about the movement of people and workers and the wider impact on the UK economy.

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 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

29 June 2018

By Order of the Board



M Harrison
Director

Directors' Report

The Directors present their annual report and the financial statements of the Company for the year ended 31 December 2017.

Dividends

The Directors do not recommend the payment of a dividend for the year (2016: £nil).

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

International Financial Reporting Standards and Financial Reporting Requirements

The ultimate parent undertaking, Bupa, has prepared group accounts in accordance International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Company is not required to report under IFRS and therefore these accounts are prepared in accordance with the applicable UK accounting standards. As the Company is a wholly owned subsidiary undertaking of Bupa, the Company qualifies for application of Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"), which has been adopted for these financial statements. FRS 101 uses the recognition and measurement bases of IFRS, while allowing exemptions from a number of disclosures required by full IFRS.

Directors

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

J S Picken	Resigned	17 May 2018
D E Hynam	Resigned	17 May 2018
P J Fieldhouse	Resigned	17 May 2018
C E Barton	Resigned	17 May 2018
W P Close	Appointed	17 May 2018
M Conway	Appointed	17 May 2018
P C Franklin	Appointed	17 May 2018
M Harrison	Appointed	17 May 2018
P A E Luce	Appointed	17 May 2018

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.

Employees

The Company's most important resource is its people; their knowledge and experience is crucial to meeting patient requirements. Retention of key staff is critical and the Company has invested increasingly in employment training and development and has introduced appropriate incentive and career progression arrangements. Every effort is made by the directors and management to inform, consult and encourage the full involvement of staff on matters concerning them as employees and affecting the Company's performance.

Directors' Report (continued)

Employees (continued)

Employment of Disabled Persons

The Company is committed to providing equal opportunities to employees. The employment of disabled persons is included in this commitment and the recruitment, training, career development and promotion of disabled persons is based on the aptitudes and abilities of the individual. Should employees become disabled during employment, every effort would be made to continue their employment and, if necessary, appropriate training would be provided.

Employment Policy

The Company continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting the Company's performance through management channels. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance.

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

29 June 2018

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.



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

Opinion

We have audited the financial statements of Medical Services International Limited ("the Company") for the year ended 31 December 2017 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 2017 and of its profit 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

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.



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

Directors' Responsibilities

As explained more fully in their statement set out on page 5, 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.

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.

Andrew Turner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
E14 5GL

29 June 2018

Profit and loss account
For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Turnover	4	95,030	102,234
Cost of sales	5	(81,856)	(84,117)
Gross profit		13,174	18,117
Administrative expenses	6	(4,564)	(5,022)
(Loss)/ Profit on disposal of fixed assets	11	(31)	12
Other operating expenses	7	(7,192)	(8,554)
Other interest receivable and similar income	9	2	4
Interest payable and similar expenses	10	(684)	(1,039)
Profit before tax		705	3,518
Tax on profit	12	(627)	(1,592)
Profit for the financial year		78	1,926

All activities relate to continuing operations in the UK.

There was a significant change in the profit for the year due to lower activity.

The notes on pages 12 to 30 form part of these financial statements.

Statement of other comprehensive income

	Note	2017 £'000	2016 £'000
Profit for the year		78	1,926
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement gains/ (losses) on pension schemes	19 (iii)	5,517	(7,650)
Taxation on remeasurement (losses)/ gains on pension schemes	20	(938)	1,229
Other comprehensive income/ (loss) for the year, net of tax		4,579	(6,421)
Total comprehensive income/ (loss) for the year for the year ended 31 December 2017		4,657	(4,495)

The notes on pages 12 to 30 form part of these financial statements.

Balance sheet
as at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	13	414	554
Tangible assets	14	45,292	42,855
		45,706	43,409
Current assets			
Stocks	15	1,869	1,716
Debtors		59,096	51,307
- due within one year	16	54,409	45,439
- due after one year	16	4,688	5,868
Cash at bank and in hand		488	1,214
		61,454	54,237
Creditors: amounts falling due within one year	17	(27,426)	(17,948)
Net current assets		34,028	36,289
Total assets less current liabilities		79,734	79,698
Creditors: amounts falling due after more than one year	18	(36,354)	(35,677)
Provisions for liabilities	19	(8,378)	(13,676)
Net assets		35,002	30,345
Capital and reserves			
Called up share capital	21	41,950	41,950
Share premium		11,988	11,988
Profit and loss account		(18,936)	(23,593)
Shareholders' funds		35,002	30,345

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



M Harrison
Director
29 June 2018

Registered number: 1416977

The notes on pages 12 to 30 form part of these financial statements.

Medical Services International Limited
Financial statements
Year ended 31 December 2017

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 2017		41,950	11,988	(23,593)	30,345
Profit for the year		-	-	78	78
Other comprehensive income for the year:					
Actuarial gains/ (losses) on pension schemes	19	-	-	5,517	5,517
Movement on deferred tax relating to pension deficits	20	-	-	(938)	(938)
Total transactions with owners, recognised directly in equity		-	-	4,579	4,579
Balance as at 31 December 2017		41,950	11,988	(18,936)	35,002
Balance at 1 January 2016		41,950	11,988	(19,098)	34,840
Profit for the year		-	-	1,926	1,926
Other comprehensive income for the year:					
Actuarial losses on pension schemes	19	-	-	(7,650)	(7,650)
Movement on deferred tax relating to pension deficits	20	-	-	1,229	1,229
Total transactions with owners, recognised directly in equity		-	-	(6,421)	(6,421)
Balance as at 31 December 2016		41,950	11,988	(23,593)	30,345

The notes on pages 12 to 30 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. Medical Services International Limited is a private company limited by shares.

(a) Basis of preparation

The financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of land and buildings, in accordance with applicable UK accounting standards.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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 and has set out in note 1(b) 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.

(b) Exemptions from the Requirements of IFRS

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7 Financial Instruments: Disclosures (IFRS 7)
- Paragraphs 91 to 99 of IFRS 13 Fair value measurement (IFRS 13) relating to disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities
- Paragraph 38 of IAS 1 Presentation of financial statements (IAS 1) comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment (IAS 16);
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (IAS 38) regarding reconciliations between the carrying amount at the beginning and end of the period
- The following paragraphs of IAS 1:
 - 10(d) statement of cash flows
 - 10(f) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements
 - 16 statement of compliance with all IFRS
 - 38A requirement for minimum of two primary statements, including cash flow statements
 - 38B-D additional comparative information
 - 40A-D requirements for a third statement of financial position
 - 111 cash flow statement information
 - 134-136 capital management disclosures
- IAS 7 Statement of cash flows (IAS 7)
- Paragraph 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors (IAS 8) regarding requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective
- Paragraph 17 and 18A of IAS 24 Related party disclosures (IAS 24) regarding key management compensation

Notes to the Financial Statements (continued)

Accounting policies (continued)

(c) Going Concern

The Company meets its day to day working capital requirements through its cash reserves and borrowings. The current economic conditions continue to create uncertainty particularly over the level of demand for the Company's services. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves and borrowings.

(d) Standards Adopted by the Company

The following standards have been adopted by the Company for the financial year beginning on or after 1 January 2016 and have a material impact on the Company:

- Amendment to IAS 1 regarding other comprehensive income. The main change resulting from these amendments is a requirement for the Company to classify items presented in 'other comprehensive income' (OCI) on the basis of whether they can potentially be reclassified to profit or loss subsequently (reclassification adjustments).
- IAS 19, Employee benefits was revised in June 2011. The changes in the Company's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).
- IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard also introduces new disclosure requirements, though FRS 101 allows for exemptions from the disclosure requirements that are above.

(e) Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises turnover when the amount of turnover can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company is a private hospital operator in London providing medical and ancillary services to patients.

(f) 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.

(g) Employee Benefits

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

(h) Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

Notes to the Financial Statements (continued)

Accounting policies (continued)

(i) 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.

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.

(j) 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)

(k) 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.

(l) 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.

(m) 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.

(n) Financial Assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Notes to the Financial Statements (continued)

Accounting policies (continued)

(n) Financial Assets (continued)

(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) Loans and receivables

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

Standard purchases and sales of financial assets are recognised on 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 using the effective interest method.

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

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(o) 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.

(p) 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.

(q) Share Capital

Ordinary shares are classified as equity.

Notes to the Financial Statements (continued)

Accounting Policies (continued)

(r) 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.

(s) 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.

(t) 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.

Notes to the Financial Statements (continued)

Accounting Policies (continued)

(u) 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.

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.

Notes to the Financial Statements (continued)

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.

4. Turnover

Turnover comprises

	2017 £'000	2016 £'000
Medical and ancillary services	95,030	102,234

5. Cost of sales

Cost of sales comprises

	2017 £'000	2016 £'000
Staff	27,265	26,793
Medical consumables and fees	27,894	29,832
Operating lease rental	8,497	8,313
Repairs and maintenance	6,681	6,732
Other operating expenses	11,519	12,447
	81,856	84,117

6. Administrative Expenses

Administrative expenses comprises

	2017 £'000	2016 £'000
Legal	1,295	1,444
Printing	337	341
Travel	128	165
Other administrative expenses	2,804	3,072
	4,564	5,022

Notes to the Financial Statements (continued)

7. Other operating expenses

Other operating expenses comprises

	2017 £'000	2016 £'000
Staff	6,596	7,663
Agency	-	-
Other operating expenses	596	891
	7,192	8,554

8. 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:

	2017	2016
Administration	184	193
Medical	425	429
	609	622

The aggregate payroll costs of those persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	29,142	30,054
Social security costs	2,757	2,731
Other pension costs	1,962	1,671
	33,861	34,456

(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 £729,000 (2016: £730,000). The highest paid director had total emoluments of £400,000 (2016: £367,000).

9. Other interest receivable and similar income

	2017 £'000	2016 £'000
Bank	2	4

Notes to the Financial Statements (continued)

10. Interest payable and similar charges

	2017 £'000	2016 £'000
Bupa Group undertakings	684	779
Bank loans and overdrafts	-	260
	684	1,039

11. Profit before taxation

Profit before taxation is stated after charging:

	Note	2017 £'000	2016 £'000
Depreciation of tangible fixed assets:			
- Owned	14	7,357	7,807
Profit on disposal of tangible assets	14	31	12
Amortisation of intangible assets	13	359	634
Loss on disposal of intangible assets	13	(62)	-
Operating lease rentals:			
- land and buildings		8,497	8,313
Fees payable to the Company's auditor for the audit of the Company's annual accounts		80	80

Fees for the audit of the Company represent the amount payable to the Company's auditor. The amount may not be borne by the Company.

12. Tax on profit

(i) Tax included in profit or loss

	2017 £'000	2016 £'000
UK corporation tax on profit for the year	492	2,368
Adjustments in respect of prior periods	20	(12)
Total current tax	512	2,356
Deferred tax		
Origination and reversal of timing differences	176	(779)
Change in tax rates	-	(10)
Adjustments in respect of prior periods	(61)	25
Total deferred tax	115	(764)
Total tax on profit	627	1,592

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

Deferred taxation (charge)/credit in respect of:

	2017 £'000	2016 £'000
Remeasurement (loss)/gain on pension schemes	(938)	(1,300)
Rate change	-	71
Total tax included in other comprehensive income	(938)	(1,229)

Notes to the Financial Statements (continued)

12. Tax on profit (continued)

(iii) Reconciliation of effective taxation rate	2017 £'000	2016 £'000
Profit before taxation	705	3,518
Taxation expense at the domestic UK corporation tax rate of 19.25% (2016:20.0%)	136	704
Effects of:		
Non-deductible expenses	556	748
Current income taxation adjustments in respect of prior periods	20	(12)
Deferred taxation adjustments in respect of prior periods	(61)	25
Change in taxation rates	(24)	127
Tax on profit	627	1,592

13. Intangible assets

	Software £'000
2017	
Cost	
At 1 January 2017	3,222
Additions	281
Disposals	(141)
At 31 December 2017	3,362
Amortisation	
At 1 January 2017	2,668
Charge for the year	359
Disposals	(79)
At 31 December 2017	2,948
Net Book Value	
At 31 December 2017	414
At 31 December 2016	554

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

Notes to the Financial Statements (continued)

13. Intangible assets (continued)

	Software £'000
2016	
Cost	
At 1 January 2016	2,657
Additions	282
Reclassification	283
At 31 December 2016	3,222
Amortisation	
At 1 January 2016	2,034
Charge for the year	634
At 31 December 2016	2,668
Net Book Value	
At 31 December 2016	554
At 31 December 2015	623

14. 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 2017	30,144	5,394	25,587	30,245	17,958	109,328
Additions	1,407	6,952	1,037	331	69	9,796
Disposal			(1,952)	(41)	(28)	(2,021)
Reclassification	517	(2,340)	1,735	141	(53)	-
At 31 December 2017	32,068	10,006	26,407	30,676	17,946	117,103
Depreciation						
At 1 January 2017	7,881	-	20,459	21,096	17,037	66,473
Charge for the year	3,034	-	1,950	2,219	154	7,357
Disposal	-	-	(1,950)	(41)	(28)	(2,019)
Reclassification	(2,064)	-	-	2,064	-	-
At 31 December 2017	8,851	-	20,459	25,338	17,163	71,811
Net Book Value						
At 31 December 2017	23,217	10,006	5,948	5,338	783	45,292
At 31 December 2016	22,263	5,394	5,128	9,149	921	42,855

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)

14. Tangible fixed assets (continued)

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 2016	2,756	3,619	25,234	54,114	17,872	103,595
Additions	2,192	2,545	605	888	220	6,450
Disposal	-	-	(252)	(5)	(177)	(434)
Reclassification	25,196	(770)	-	(24,752)	43	(283)
At 31 December 2016	30,144	5,394	25,587	30,245	17,958	109,328
Depreciation						
At 1 January 2016	2,756	-	18,677	21,438	16,214	59,085
Charge for the year	2,826	-	2,022	1,959	1,000	7,807
Disposal	-	-	(240)	(2)	(177)	(419)
Reclassification	2,299	-	-	(2,299)	-	-
At 31 December 2016	7,881	-	20,459	21,096	17,037	66,473
Net Book Value						
At 31 December 2016	22,263	5,394	5,128	9,149	921	42,855
At 31 December 2015	-	3,619	6,557	32,676	1,658	44,510

15. Stocks

	2017	2016
	£'000	£'000
Pharmacy drugs and medical consumables	1,869	1,716

There is no material difference between the balance sheet value of stocks and their replacement costs. Stock is stated after provision of £270,000 (2016: £379,000)

16. Debtors

	2017	2016
	£'000	£'000
Due within one year		
Trade receivables	37,424	35,852
Other receivables	279	237
Prepayments and accrued income	9,107	8,930
Amounts owed by Bupa Group undertakings	7,599	420
	54,409	45,439

Trade receivables fall due within one year. Trade receivables are stated after provisions for impairment of £1,847,000 (2016: £2,398,000).

	2017	2016
	£'000	£'000
Due after one year		
Prepayments	2,623	2,750
Deferred tax	2,065	3,118
	4,688	5,868

Notes to the Financial Statements (continued)

16. Debtors (continued)

Included within prepayments falling after one year is £3,493,000 (2016: £3,649,000) relating to renegotiation fees for the hospital lease, £643,000 (2016: £693,000) of stamp duty paid on property lease less £2,217,000 (2016: £2,316,000) for the reimbursement of capital expenditure and tomotherapy funding, all of which are recognised throughout the term of the lease.

17. Creditors – Amounts Falling Due within One Year

	2017 £'000	2016 £'000
Trade creditors	-	5,748
Amounts owed to Bupa Group undertakings	15,804	3,446
Other creditors including taxation and social security	3,900	2,184
Accruals and deferred income	7,722	6,570
	27,426	17,948

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

18. Creditors – Amounts Falling Due after more than One Year

	2017 £'000	2016 £'000
Loans from Bupa Group undertakings	36,354	35,677

Loans from Bupa Group undertakings are repayable after five years as follows.

	Date issued	Repayment date	Interest rate	2017 £'000	2016 £'000
			Six months LIBOR plus 110 basis points		
Bupa Finance plc	December 2010	Payable after December 2020		36,354	35,677

19. 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 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.

Notes to the Financial Statements (continued)

19. Provisions for Liabilities and Charges (continued)

Pension and similar obligations (continued)

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 £397,008 per annum, payable in equal monthly instalments for a period of 3 years and 11 months commencing August 2015. These contributions are additional to the required future service contributions of 26.5% of active members' pensionable salaries.

(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:

	2017 £'000	2016 £'000
Fair value of scheme assets	42,585	38,795
Present value of defined benefit obligations	(50,963)	(52,471)
Deficit in scheme	(8,378)	(13,676)

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:

	2017 £'000	2016 £'000
UK Equities	2,551	8,208
Overseas Equities	5,953	9,644
Multi-Asset Fund	11,635	8,426
Return seeking subtotal		
Total return seeking	20,139	26,278

	2017 £'000	2016 £'000
LDI Fixed	7,524	-
LDI Real	3,828	11,633
Gilts	7,648	-
Index Linked	2,107	-
Debt instruments	21,106	11,633

	2017 £'000	2016 £'000
Property	-	762
Cash	1,340	122
Total other	1,340	884

Notes to the Financial Statements (continued)

19. 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:

	2017 £'000	2016 £'000
Active members	(12,744)	(15,182)
Deferred pensioners	(18,048)	(18,022)
Pensions in payment	(20,171)	(19,267)
Total scheme liabilities	(50,963)	(52,471)

Average duration of the scheme's liabilities at the end of the period (years) is 19 years (2016: 20 years)

(ii) Amounts recognised in the profit and loss account

	2017 £'000	2016 £'000
Current service cost	656	486
Net interest on defined benefit asset/liability	360	230
Administrative expenses	-	2
	1,016	718

(iii) Amounts recognised directly in other comprehensive income

	2017 £'000	2016 £'000
Return on assets excluding interest income	(3,556)	(2,685)
Loss arising from changes to experience assumptions	500	10,538
(Gain) arising from changes to demographic assumptions	(2,174)	-
Experience gain	(287)	(203)
	(5,517)	7,650

(iv) Present value of scheme obligations

	2017 £'000	2016 £'000
At 1 January	52,471	41,116
Current service costs	656	486
Interest on obligations	1,378	1,576
Contributions by employees	77	81
(Loss)/Gain arising from changes to financial assumptions	500	10,538
(Loss)/Gain arising from changes to experience assumptions	(287)	(203)
(Loss)/Gain arising from changes to demographic assumptions	(2,174)	-
Benefits paid	(1,658)	(1,123)
At 31 December	50,963	52,471

Notes to the Financial Statements (continued)

19. Provisions for Liabilities and Charges (continued)

(v) Fair value of funded scheme assets

	2017 £'000	2016 £'000
At 1 January	38,795	34,980
Interest income	1,018	1,346
Return on assets excluding interest income	3,556	2,685
Contributions by employer	797	828
Contributions by employees	77	81
Administration expenses	-	(2)
Benefits paid	(1,658)	(1,123)
At 31 December	42,585	38,795

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

	2017 £'000	2016 £'000
UK equities	2,551	8,208
Overseas equities	5,953	9,644
Multi assets funds	11,635	8,426
Corporate	21,105	11,633
Property	-	762
Cash	1,339	122
	42,583	38,795

(vi) Actuarial assumptions

The principal actuarial assumptions were

	2017	2016
Liability discount rate	2.53%	2.65%
Inflation assumption CPI	2.20%	2.25%
Rate of increase in salaries	3.70%	4.25%
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%	2.19%	2.23%
- CPI subject to a maximum of 5%	3.01%	3.02%
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 2016 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 2013 projection tables with a 1.5% per annum long term trend
Probability that a member is married at the date of their retirement	80%	80%
Future expected life of current pensioner at age 65		
- Male aged 65 now	23.3	23.9
- Female aged 65 now	25.2	26.0
Future expected life of future pensioner at age 65		
- Male aged 65 in 20 years	25.0	26.2
- Female aged 65 in 20 years	27.0	28.3

Notes to the Financial Statements (continued)

19. Provisions for Liabilities and Charges (continued)

(vi) Actuarial assumptions (continued)

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%	-8.4% to + 9.6%
Rate of inflation	Increase/decrease by 0.5%	-1.5% to + 2.2%
Rate of increase in salaries	Increase/decrease by 0.5%	-0.9% to + 1.0%
Rate of mortality	Increase/decrease by one year	-4.2% to + 3.6%

20. Deferred Tax

Deferred taxation is analysed as follows

	2017 Assets £'000	2017 Liabilities £'000	2017 Total £'000	2016 Assets £'000	2016 Liabilities £'000	2016 Total £'000
Accelerated capital allowances	621	-	619	793	-	793
Post employment benefit liability	1,444	-	1,444	2,325	-	2,325
Other employee benefits	-	-	-	-	-	-
	2,065	-	2,063	3,118	-	3,118

The movement in deferred taxation is as follows

	At 1 January 2017 £'000	Recognised in profit and loss account £'000	Recognised in other comprehensive income £'000	At 31 December 2017 £'000
Accelerated capital allowances	793	(173)	-	621
Post employment benefit liability	2,325	57	(938)	1,444
Other employee benefits	-	-	-	-
	3,118	(115)	(938)	2,065

	At 1 January 2016 £'000	Recognised in profit and loss account £'000	Recognised in other comprehensive income £'000	At 31 December 2016 £'000
Accelerated capital allowances	(5)	798	-	793
Post employment benefit liability	1,105	(9)	1,229	2,325
Other employee benefits	25	(25)	-	-
	1,125	764	1,229	3,118

Notes to the Financial Statements (continued)

21. Called up share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
Equity interest		
41,949,985 (2016:41,949,985) ordinary shares of £1each	41,950	41,950

22. 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

	2017 £'000	2016 £'000
Operating lease		
Land and buildings		
Expiry date		
- Less than one year	8,549	8,236
- Between one and five years	34,197	32,945
- More than five years	149,022	151,624
	191,768	192,805
Other		
Expiry date		
- Less than one year	74	61
- Between one and five years	74	134
	148	195
	191,916	193,000

(iv) Capital Commitments

The Company has no outstanding capital commitments at the end of either year.

23. Related party transactions

	2017 £'000	2016 £'000
Expenses paid by Bupa Group undertakings and recharged to the Company	41,631	4,843
Interest payable to other Bupa Group undertakings	684	779
Amounts owed by Bupa Group undertakings due within one year	7,599	420
Amounts owed to Bupa Group undertakings due within one year	15,804	3,446
Loans due to Bupa Group undertakings due after more than one year	36,354	35,677

See note 8 for disclosure of the directors' remuneration. All related party transactions are made at arm's length.