

**International Hospitals Group Limited**

**Directors' Report and Financial Statements**

Registered number 01482891

For the year ended 31 December 2019

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## **Directors and Officers**

### **Directors**

RM King (Chairman)  
WM King  
CM King

### **Registered Office**

Stoke Park  
Park Road  
Stoke Poges  
Buckinghamshire  
SL2 4PG

### **Auditor**

KPMG LLP  
58 Clarendon Road  
Watford  
Hertfordshire  
WD17 1DE

## Strategic Report

The directors present their strategic report on the Company for the year ended 31 December 2019.

### Review of the business

The Company is a wholly-owned subsidiary of International Group Limited and operates as part of International Group Limited's Healthcare and services division.

The Company's principal activities are the construction and management of healthcare facilities together with related consultancy services world-wide. During 2018, the Company and the Government of Oman signed turnkey contracts to deliver three major new hospitals and associated infrastructure in the Sultanate of Oman. The total value of these projects exceeds £500m. Works on all three hospital projects commenced in 2018 under Limited Notices To Proceed to commence design and enabling works until the client financially closes the required loan funding. The project financing arrangements were concluded and the requisite advance payments paid during 2019. During 2020 due the impact of COVID completion dates for these contracts are forecast to be later than initially contracted and the Company has submitted a force majeure notice to the contract employer and expect to file an extension of time (EOT) claim once the full impact of the pandemic on the contract timelines can be ascertained. In addition, the Company has also submitted substantial variation orders as well as additional EOT claims varying from a period of 15-18 months in relation to these contracts which are currently being negotiated with the contract employer and a final resolution of the matter is awaited.

### Impact of Brexit

The Company has assessed the likely impact of Brexit to be minimal in the longer term and any short-term disruption to supplies can be managed by working with our supply chain.

### Impact of COVID

The Company implemented COVID compliant work practices in its offices as required by the local regulations during 2020 and the impact of the ongoing pandemic on its projects in Oman is being monitored and will be covered by appropriate claims in accordance with the contracts. Overall impact of COVID on the Company's long-term projects cannot be quantified until the pandemic is over as set out in basis of preparation in the notes to these accounts.

### Results and performance

As shown in the Company's profit and loss account on page 8, the Company's turnover has increased to £25,149,000 compared with turnover in the prior year of £4,171,000. Loss after tax is £878,000 compared with loss after tax in 2018 of £1,402,000.

The balance sheet on page 9 of the financial statements shows the Company's financial position at the year end.

### Strategy

The Company's success is dependent on the proper selection, pricing and ongoing management of the contracts it secures. The Company will concentrate its efforts on achieving maximum growth in its existing market segment and will seek to appropriate new geographical locations to expand into.

### Key performance indicators

International Group Limited manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators (other than revenue and loss after tax stated above) for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the services division of International Group Limited, which includes the Company, is discussed in International Group Limited's Annual Report which does not form part of this Report.

### Principal risks and uncertainties

The principal risks of the Company are:

- Payment delays from its major customers and foreign-exchange fluctuations. To manage these risks, the Company strives to ensure contract revenue and costs where possible are in the same currency and through its strong and close relationships with customers it minimises any payment delays.

- Delivery of projects by the Company's business partner on major contracts. To manage these risks, the Company employs skilled staff to oversee delivery of the projects who work closely with our business partner's staff on each project.
- Competitive pressure which could result in it losing sales to its key competitors. To manage this risk, the Company strives to provide added-value services to its customers; prompt response times in the supply of products and services and in the handling of customer queries; and through the maintenance of strong relationships with customers.
- Mitigating risk of liquidated damages being applied by managing its construction partners/sub-contractors to deliver on large turnkey contracts on time and to agreed standards.
- The Company's businesses may also be affected by fluctuations in the price and supply of key services, although purchasing policies and practices seek to mitigate, where practicable, such risks.

#### **Future developments**

1. Republic of Ghana infrastructure project: During 2019 95% of amounts owed were paid by the Government of Ghana and in 2020 regular meetings were held with the Client which is expected to lead to suitable financing arrangements for the balance of the contract during 2021.
2. Sultanate of Oman infrastructure projects: Progress on these substantial projects over the coming years is expected to lead to similarly structured projects in other territories.

By order of the board



**CM King**  
Director

Stoke Park  
Park Road  
Stoke Poges  
Buckinghamshire  
SL2 4PG

3 March 2021

## Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

### Proposed dividend

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

### Directors

The directors who held office during the year were as follows:

RM King  
HM King Resigned 1<sup>st</sup> November 2019  
WM King  
CM King

### Employees

It is the Company's policy to provide employees with information concerning their roles and responsibilities. This policy is to ensure opportunities are available at every level to improve employees' and corporate performance. Regular meetings are held which involve directors, managers and staff.

### Employee development and equal opportunities

The Company is committed to ensuring it recruits and promotes the right people regardless of gender, disability, age, sexual orientation or race, and is committed to a culture of meritocracy whereby career progression is based on ability. It facilitates opportunity for all employees to progress and regularly reviews policies and practices. It regards its people as its most valuable asset and is committed to investing in them to achieve their full potential, without discrimination.

People with disabilities are given equal opportunity wherever they can fulfil the requirements of the job. If an employee becomes disabled during their employment with the Company every reasonable effort is made to enable them to continue their career within the Company.

### Political and charitable contributions

The Company made £nil (2018: £nil) of political contributions and £nil (2018: £nil) of charitable contributions during the year.

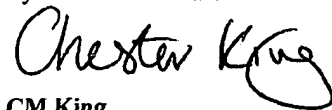
### Disclosure of information to auditor

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

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

By order of the board



CM King  
Director

Stoke Park  
Park Road  
Stoke Poges  
Buckinghamshire  
SL2 4PG

3 March 2021

## **Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' 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 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 INTERNATIONAL HOSPITALS GROUP LIMITED**

## **Opinion**

We have audited the financial statements of International Hospitals Group Limited ("the company") for the year ended 31 December 2019 which comprise the profit and loss account and 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

## **Material uncertainty related to going concern**

We draw attention to note 1 to the financial statements which indicates that the company has incurred a loss of £0.9m for the year ended 31 December 2019 and the current liabilities exceeded current assets by £6.6m as at that date. The company is dependent on the progress of the long-term construction contracts being carried out in Oman and on the recoverability of amounts due from its parent company to enable it to meet its financial obligations as they fall due. The recoverability of the amounts due from its parent company depends on the ability of the parent company to generate sufficient funds either directly or through other group entities by continued support of its current lenders, arranging funds from other private finance providers or by securing additional finance facilities either from other loan providers, or from shareholders, or identifying alternative sources of funding. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

## **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.



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL HOSPITALS GROUP LIMITED (continued)**

## **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 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](http://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.



**David Burridge (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

58 Clarendon Road  
Watford  
Hertfordshire  
WD17 1DE  
United Kingdom  
5 March 2021

## Profit and Loss Account and Other Comprehensive Income

*For the year ended 31 December 2019*

	<i>Note</i>	<b>2019</b> £000	<b>2018</b> £000
<b>Turnover</b>	2	25,149	4,171
Cost of sales		(24,805)	(4,160)
<b>Gross profit</b>		344	11
Administrative expenses		(1,147)	(1,440)
<b>Operating loss</b>		(803)	(1,429)
Foreign exchange gains		1,277	129
Impairment of investment in subsidiary		(1,350)	-
Interest payable and similar expenses		(2)	(102)
<b>Loss before taxation</b>	3	(878)	(1,402)
Taxation	6	-	-
<b>Loss for the financial year</b>		(878)	(1,402)

The results for the current and preceding year were derived from continuing operations.

There are no gains or losses to be reflected as Other Comprehensive Income during the current or preceding year.

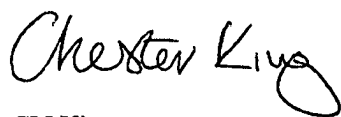
Notes from pages 11 to 20 form a part of these financial statements.

**Balance Sheet**  
**At 31 December 2019**

	<i>Note</i>	2019	2018
		£000	£000
<b>Fixed assets</b>			
Tangible assets	7	62	71
Investments	8	<u>1,163</u>	<u>2,513</u>
		<b>1,225</b>	<b>2,584</b>
<b>Current assets</b>			
Stocks	9	-	-
Debtors	10	99,954	19,905
Cash at bank and in hand		<u>6,966</u>	<u>97</u>
		<b>106,920</b>	<b>20,002</b>
<b>Creditors: amounts falling due within one year</b>	11	<u>(113,554)</u>	<u>(27,117)</u>
<b>Net current liabilities</b>		<b>(6,634)</b>	<b>(7,115)</b>
<b>Net liabilities</b>		<b>(5,409)</b>	<b>(4,531)</b>
<b>Capital and reserves</b>			
Called up share capital	13	1,000	1,000
Profit and loss account		<u>(6,409)</u>	<u>(5,531)</u>
<b>Shareholder's deficit</b>		<b>(5,409)</b>	<b>(4,531)</b>

Notes from pages 11 to 20 form a part of these financial statements.

These financial statements were approved by the board of directors on 3 March 2021 and were signed on its behalf by:



**CM King**  
Director

Registered Number 01482891

**Statement of Changes in Equity**  
*for the year ended 31 December 2019*

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Shareholder's deficit £000</b>
At 1 January 2018	1,000	(4,129)	(3,129)
Loss for the financial year	-	(1,402)	(1,402)
At 31 December 2018	1,000	(5,531)	(4,531)
Loss for the financial year	-	(878)	(878)
<b>At 31 December 2019</b>	<b>1,000</b>	<b>(6,409)</b>	<b>(5,409)</b>

Notes from pages 11 to 20 form a part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

International Hospital Group Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### *Basis of preparation*

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000 unless otherwise stated.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it is a wholly owned subsidiary undertaking of International Group Limited, a Company registered in England and Wales. The financial statements present information about the Company as an individual undertaking and not about its group.

#### *Going concern*

Notwithstanding the Company's net current liabilities of £6.6m (2018: £7.1m) and loss for the year of £0.9m (2018: £1.4m), these financial statements have been prepared on a going concern basis. The net current liabilities largely relate to balances arising from the contracts being carried out by the Company in Oman and Ghana representing advance payments from contract employers and progress billings in excess of revenue recognized which will not require a cash outflow to settle such liabilities over the going concern period.

The Company is carrying out long-term contracts for the construction of three hospitals along with their related infrastructure in Oman with a combined value of c.£530m. The Company has engaged a local entity in Oman to perform the actual construction work resulting in a significant portion of the works being sub-contracted to that entity. Subsequent to the year-end, as a result of the outbreak of the COVID 19 pandemic, the works on these contracts have slowed down. The Company has submitted a force majeure notice to the contract employer and expect to file an extension of time (EOT) claim once the full impact of the pandemic on the contract timelines can be ascertained. In addition, the Company has also submitted substantial variation orders as well as additional EOT claims varying from a period of 15-18 months in relation to these contracts. These variation orders and EOT claims are currently being negotiated with the contract employer and a final resolution of the matter is awaited. The progress of these contracts over the going concern period is therefore dependent upon the successful negotiation of these variation orders and EOT claims, return to normal working conditions and removal of any restrictions imposed by the local Oman government due to the COVID 19 pandemic as well as the ability of the sub-contractor to continue to carry out their scope of works and delivering output in line with agreed milestones.

A significant portion of the Company's current assets consists of amounts receivable from International Group Limited (the parent company). Accordingly, the Company's ability to continue as a going concern is also dependent on its ability to collect the outstanding balance from the parent company. The parent company has indicated that for at least twelve months from the date of approval of these financial statements, it will continue to make such payments against the outstanding balance as necessary to enable the Company to continue to meet its obligations as they fall due. 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Basis of preparation (continued)*

##### *Going concern (continued)*

However, the ability of the parent company to continue to provide this support is dependent on itself receiving funding from other subsidiary undertakings. The directors have prepared consolidated cash flow forecasts for International Group Limited and its subsidiaries (which incorporates the forecasts for the company as well) for a period of at least 12 months from the date of approval of these financial statements which indicate that, the group is expected to operate marginally within its financial facilities under the base case scenario with the available financial resources stretched in the first quarter of FY 2021. However, the group is expected to require additional capital under the downside scenario from April 2021 onwards. Based on the current status of discussions conducted to date with the group's main lender, the directors have a reasonable expectation that they will be able to renegotiate an extension to the group's term loan. In addition, the directors have made an assessment that they have a reasonable expectation to secure sufficient funds from other private finance providers which are forecast to raise significant additional funds from May to December 2021. However, there can be no certainty that funds, in particular as set out above, will be received as forecast, in which case the group will need to secure additional finance facilities either from other loan providers, or from shareholders, or identify alternative sources of funding to fulfil its working capital requirements as well as for the parent company to continue supporting other group entities.

Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

The Company's parent undertaking, International Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of International Group Limited are prepared in accordance with FRS 102 and are available to the public and can be obtained from the address given in note 16. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Cash Flow Statement with related notes;
- Key Management Personnel compensation;

As the consolidated financial statements of parent undertaking include the equivalent disclosure, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

#### *Measurement convention*

These financial statements are prepared on a going concern basis, under the historical cost convention.

#### *Foreign currencies*

Transactions in foreign currencies are translated into the Company's functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the rate of exchange ruling at that date and the gains or losses on translation are included in the profit and loss account.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Investments*

Investments in subsidiary undertakings are stated at cost less impairment.

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account to write off the cost less the estimated residual value of each part of an item of tangible fixed assets on a straight-line basis over their estimated useful economic lives as follows:

Fixtures, fittings and equipment - 10% to 33.3%

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

#### *Stocks and work in progress*

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

Work in progress is valued at the lower of costs incurred to date and net realisable value less estimated costs to completion.

Long term contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

#### *Impairment*

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### *Employee benefits*

The Company operates a defined contribution pension scheme providing post-employment benefits. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. Turnover is recognised when goods and services have been supplied to and accepted by the Company's clients.

When the outcome of a construction contract can be estimated reliably, revenue is recognised based on the proportion of cost appropriate to the stage of completion plus attributable profits, less amounts recognised in previous years. When the outcome of a construction contract cannot be estimated reliably revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and the Company recognises contract costs as an expense in the period in which they are incurred.

Fees are recognised over the period of the relevant assignments or agreements.

#### *Expenses*

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Interest receivable and interest payable*

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

#### *Basic financial instruments*

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

##### *Cash and cash equivalents*

Cash and cash equivalents, comprises cash in hand and call deposits.

#### *Taxation*

Tax on profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.



## Notes (continued)

### 1 Accounting policies (continued)

#### Taxation

(continued)

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### Accounting estimate and judgement

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.

#### Key sources of estimation uncertainty

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:

- recoverability of trade and other receivables

Certain critical accounting judgements (apart from those involving estimations included above) in applying the company's accounting policies are described below:

#### Measurement of revenue and resulting profit recognition on long term construction contracts

Due to the size and complexity of some of the company's contracts and inherent uncertainty involved in estimation of the costs to complete, there are significant judgments to be applied, including the measurement and timing of revenue recognition and the recognition of related balance sheet items (such as payments received on account / contract work in progress) that result from the performance of the contract. During the year, given the status of the key construction contracts being undertaken by the company, no margin was recognised on those contracts.

### 2 Segmental information

In the opinion of the directors, the turnover and profit before tax arose in substantially the same class of business. The geographical analysis of turnover is as follows:

	2019 Turnover £000	2018 Turnover £000
UK & Europe	-	-
Rest of the world	25,149	4,171
	<u>25,149</u>	<u>4,171</u>

### 3 Expenses and auditor's remuneration

	2019 £000	2018 £000
<i>Profit/(loss) is stated after charging:</i>		
Audit of these financial statements	24	24
Depreciation	<u>24</u>	<u>17</u>

## Notes (continued)

### 4 Remuneration of Directors

Details of the amounts paid to the directors by International Group Limited can be found in their financial statements. These can be obtained from the address in note 16. International Group Limited recharged emoluments of the directors directly related to the Oman projects of £2,000,000. In addition the notional allocation of the costs for services provided by the directors to the Company amounted to £209,000 (2018: £123,000).

### 5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	201
Directors	4	4
Management	7	11
Operational	13	3
	<u>24</u>	<u>18</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	1,679	1,139
Social security costs	215	115
Other pension Costs	57	38
	<u>1,951</u>	<u>1,292</u>

### 6 Taxation

#### Total tax expense recognised in the profit and loss account, other comprehensive income and equity

##### Analysis of expense in year

	2019	2018
	£000	£000
Current tax	-	-
Deferred tax	<u>-</u>	<u>-</u>
Total tax	<u>-</u>	<u>-</u>

##### Reconciliation of effective tax rate

## Notes (continued)

### 6 Taxation (continued)

The total tax expense for the year is higher (2018: higher) than the standard rate of corporation tax in the UK: 19.00% (2018: 19.00%). The differences are explained below.

	2019 £000	2018 £000
<i>Total tax reconciliation</i>		
Profit/(loss) before tax	(878)	(1,402)
Tax using UK Corporation tax rate of 19.00% (2018:19.00%)	(167)	(266)
Effects of:		
Tax losses carried forward	-	231
Utilisation of tax losses brought forward	(86)	-
Expenses not deductible for tax purposes	255	7
Capital allowances in excess of depreciation	(2)	(1)
Effect of change in tax rate	-	29
Total tax expense	-	-

In the 2016 Budget the chancellor announced a reduction in the UK corporation tax rate from 19% to 17%, effective from 1 April 2020 which was substantively enacted on 6 September 2016. In the 11 March 2020 Budget it was announced that the UK corporation tax rate will remain at the current 19% and this was substantively enacted on 17 March 2020. This will have a consequential effect on the company's future tax charge.

### 7 Tangible fixed assets

	Furniture, fittings and equipment £000
<i>Cost or valuation</i>	
At beginning of year	206
Additions	15
At end of year	221
<i>Depreciation</i>	
At beginning of year	135
Charge for year	24
At end of year	159
<i>Net book value</i>	
At 31 December 2019	62
At 31 December 2018	71

## Notes (continued)

### 8 Fixed asset investments

	Shares in group undertakings £000
<b>Cost</b>	
At beginning and end of year	2,513
<b>Impairment</b>	
At beginning of year	-
Impairment during the year	(1,350)
At end of year	(1,350)
<b>Net book value</b>	
At 31 December 2019	1,163
At 31 December 2018	2,513

This entities in which the Company had interest at 31 December 2019 are as follows:

Undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
IHG Ghana Limited	Ghana	Construction & Management of healthcare facilities	100% ordinary
IHG Healthcare Limited	England and Wales	Dormant	100% ordinary
IHG (Shanghai) Ltd	Peoples Republic of China	Healthcare consultancy	100% ordinary
International Hospitals Group Ltd (Oman Branch)	Oman	Healthcare consultancy & construction management	n/a – branch of Company

### 9 Stocks

	2019 £000	2018 £000
Work in progress	-	-

Work in progress includes the following amounts in respect of long-term contracts and have been included as payments on account within creditors (*see note 11*).

	2019 £000	2018 £000
Net cost less foreseeable losses	853	853
Less payments on account received	(109,555)	(22,204)
	(108,702)	(21,351)

### 10 Debtors

	2019 £000	2018 £000
Trade debtors	3,229	6,232
Contract advances to construction and design subcontractors	61,081	-
Contract retentions	2,201	-
Other debtors	4	40
Prepayments and accrued income	661	114
VAT	959	345
Amounts owned by parent company	31,819	13,174
	99,954	19,905

All debtors are due within one year.

## Notes (continued)

### 11 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	248	2,070
Payments on account & deferred income (see note 9)	108,702	21,351
Amounts owed to associated undertakings	1,518	1,557
Taxation and social security	71	42
Other creditors	806	306
Accruals	2,209	1,791
	<u>113,554</u>	<u>27,117</u>

There are no creditors falling due after one year

### 12 Deferred taxation

A deferred tax asset of £1,669,000 (2018: £1,748,000) has arisen. The directors do not feel that it is appropriate to recognise this deferred tax asset in light of current trading conditions.

	2019 £000	2018 £000
Difference between accumulated depreciation and capital allowances	3	4
Trading losses	<u>1,666</u>	<u>1,744</u>
Undiscounted deferred tax asset	<u>1,669</u>	<u>1,748</u>

### 13 Called up share capital

	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i>		
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Shares classified in shareholder's deficit	<u>1,000</u>	<u>1,000</u>

### 14 Commitments

At the end of each financial year the Company had no capital commitments (2018: £nil).  
The Company has an annual commitment for £125,000 under non-cancellable operating leases (2018: £125,000).

### 15 Pension Scheme

The Company operated a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £57,000 (2018: £38,000). There were outstanding contributions at the end of the financial year of £15,000 (2018: £6,000).

## Notes (continued)

### 16 Ultimate parent company and parent undertaking of largest and smallest group of which the Company is a member

The immediate and ultimate parent company is International Group Limited, a company incorporated in the UK.

The smallest and largest group in which the Company's results are consolidated is that headed by International Group Limited. The consolidated financial statements of International Group, within which this Company is included, can be obtained from Stoke Park, Park Road, Stoke Poges, Buckinghamshire, SL2 4PG.

### 17 Related party transactions

The company is controlled by International Group Limited, the immediate parent undertaking, which controls 100% of the Company's voting rights.

All of the below companies are related parties by virtue of the fact that the board of directors of the companies include RM King, WM King and CM King.

	2019 £000	2018 £000
<i>Related party creditors</i>		
IHG International Limited	585	585
Corinthian Club Limited	121	121
International Travel Limited	24	24
IHG (Shanghai) Co. Limited	788	827
	<u>1,518</u>	<u>1,557</u>

In May 2019, the company received £42,000 against their non-preferential Unsecured Loan of £108,000 due from Maplecross Hotel Limited. The remaining amount of £66,000 and amounts due from Maplecross Retail Limited of £99,000 were written off by the company.

	2019 £000	2018 £000
<i>Related party debtor</i>		
Maplecross Hotel Limited	-	108
Maplecross Retail Limited	-	99
	<u>-</u>	<u>207</u>

### 17 Subsequent events

The COVID pandemic has impacted the Company's projects in Oman. The Overall impact of COVID on these long-term projects cannot be quantified until the pandemic is over, however, progress during 2020 was slower than expected and the completion dates of the projects will need to be extended. Turnover on the contracts for 2020 is expected to be circa £44 million which will be 50% of that forecasted for 2020. The Company has not recognised any profit from the Oman projects in these accounts and the slower progress during 2020 may require profit recognition to be deferred until 2021.