BMI Healthcare Limited

Report and financial statements
for the year ended 31 March 2019

Registered number: 02164270

BMI Healthcare Limited

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Officers and auditor

Directors

Karen Prins
Henry Davies

Registered office

1st Floor 30 Cannon Street
London
EC4M 6XH
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United Kingdom

Auditor

Deloitte LLP
1 New Street Square
London EC4A 3HQ
United Kingdom

The directors present their Strategic report on the affairs of BMI Healthcare Limited ("the Company") for the year ended 31 March 2019. The Company is an indirect subsidiary of GHG Tenant 2 Limited and GHG Opco Bidco Limited, whose ultimate parent company is Hospital Topco Limited. GHG Opco Bidco Limited acquired GHG Tenant 2 Limited and its subsidiaries, together defined as "the Group", on 13 December 2018. GHG Tenant 2 Limited, along with its subsidiaries, is defined for the purposes of these financial statements as the "OpCo Group". This Strategic report has been prepared for the Group as a whole. This is to emphasise those matters significant to the Group and its affiliate undertakings when viewed as a whole which have a significant impact on the Company.

The Company was incorporated in the United Kingdom on 15 September 1987 and is the main trading company and also a holding company within the Group structure. The Group provides healthcare services.

As at 31 March 2019, the Company is an obligor to the lending banks under the banking senior facilities agreement ("SFA") of the Group.

Change in ownership

As set out in the prior year financial statements, the Company, as part of the Opco Group, was acquired by GHG Opco Bidco Limited as part of a transaction, "the Transaction", which finalised on 14 December 2018. As part of the Transaction, the landlords of thirty-five of the properties of BMI Healthcare Limited ("Theatre PropCo"), Theatre PropCo's shareholders and stakeholders (the "Theatre PropCo Stakeholders") and GHG Opco Bidco Limited completed a Transaction related to, among other things, extension of the OpCo Group's bank facilities, amendments to lease agreements with Theatre PropCo and new investment into the OpCo Group. The ultimate controlling party following the transaction is Hospital Topco Limited, which is also the ultimate controlling party of the Theatre PropCo. The principal terms of the Transaction that impacted BMI Healthcare are below; further details can be found in the prior year financial statements.

• Lease amendments were entered into between BMI Healthcare Limited and the Theatre PropCo, on 14 December 2018, in order to bring the terms back to institutional market arrangements and to effect a rent reduction of £65 million per annum, together with extended lease maturity dates to 2051. Previously the lease maturity dates were 2031 with the option to extend for a further 10 years.
• A significant new money investment of £60.1 million from the Theatre PropCo Stakeholders was injected into the Company, on 13 December 2018, to fund capital investment. The Company allotted 100 million ordinary shares with the aggregate nominal value of £20.0 million and a share premium of £40.1 million.
• The rent deferral deed of £28 million was settled, on 12 December 2018, by the issuance of a loan note between BMI Healthcare Limited and Theatre Propco.
• The RPI swap instruments between BMI Healthcare Limited and its counterparty were terminated by mutual agreement on 14 December 2018.
• The £28 million loan note issued to BMI Healthcare Limited by Theatre PropCo was waived by Theatre PropCo on 14 December 2018.
• The Tax & Expenses Indemnity agreed between BMI Healthcare Limited and Theatre PropCo was terminated by mutual agreement on 14 December 2018.

The completion of the Transaction has placed BMI Healthcare Limited and the Group in a stronger financial position. The Company is now implementing a £250 million investment programme. The programme will allow the Company to deliver new equipment to hospitals and to accelerate the reconfiguration and refurbishment of BMI Healthcare's estate and to underpin the continued delivery of excellent patient care.

Strategic report
for the year ended 31 March 2019 (continued)

Financial Position

The Company's balance sheet as at 31 March 2019 showed equity of £127.5 million, compared with equity of £1.1 billion as at 31 March 2018. The change in equity is a result of a non-cash corporate simplification exercise which involved the elimination of historical intercompany balances within the Opco Group. The process involved the following steps which completed during the year:
- Intercompany loans were reassigned so that all intercompany balances involved the Company as a counterparty;
- Capital reductions were undertaken in order to create distributable reserves; and
- Non-cash distributions were made throughout the group to settle or otherwise eliminate intercompany balances.

Following the completion of these steps the Company has significantly lower equity as a result of distributing significant non-cash intercompany balances to its parent.

Review of business performance and key performance indicators (KPIs)

The principal KPIs for the Company are revenue, Headline EBITDAR and Headline EBITDA. Headline EBITDA is defined as total earnings before interest/finance costs, tax, depreciation, amortisation, profit or loss on disposal of fixed assets and investments, fair value movements on a derivative financial instrument, certain exceptional items and non-cash rent (straight-lining). Headline EBITDAR is defined as Headline EBITDA before total rental expense including straight-lining, but excluding exceptional rental items.

Headline EBITDA and Headline EBITDAR are useful measures used by management to understand the performance of the business as they allow management and users of the financial statements to compare trading performance of the business on a like-for-like basis without non-cash accounting and non-trading elements contained within profit for the period.

Strategic report
for the year ended 31 March 2019 (continued)

Review of business performance and key performance indicators (KPIs) (continued)

	Notes	12 months to 31 March 2019 £'m	18 months to 31 March 2018 £'m
Revenue		**918.1**	**1,313.3**
EBITDAR:			
- before exceptional items ("Headline EBITDAR")		172.6	274.6
- exceptional items	5	(55.4)	(4.7)
Total EBITDAR		**117.2**	**269.9**
Rental expense:			
- before exceptional items and rent straight-lining		(144.9)	(253.5)
- exceptional items	5	(1.3)	(44.7)
- rent straightlining		(6.9)	(1.4)
Total rental expenses		**(153.1)**	**(299.6)**
EBITDA:			
- before exceptional items and rent straight-lining ("Headline EBITDA")		27.7	21.1
- exceptional items	5	(56.7)	(49.4)
- rent straight-lining		(6.9)	(1.4)
Total EBITDA		**(35.9)**	**(29.7)**
Depreciation, impairment and amortisation:			
- before exceptional items		(32.4)	(53.8)
- exceptional items	5	(6.0)	(36.1)
Total depreciation, impairment and amortisation expenses	10	(38.4)	(89.9)
Operating loss:			
- before exceptional items and rent straight-lining		(4.8)	(34.2)
- exceptional items	5	(62.6)	(85.5)
- rent straight-lining		(6.9)	
Total operating loss		**(74.4)**	**(119.8)**

The exceptional items included within operating loss are detailed within the Financial performance section below.

Operating performance
Trading conditions were challenging during the period, with demand management by the NHS and insurers affecting admitted patient activity. Overall caseload volumes were 2.5 per cent down year on year (compared to the 12 months ended 31 March 2018), with strong growth in outpatient procedures only partially offsetting a decline in inpatient and daycase activity. Revenue per case has increased across inpatient, daycase and outpatient procedures with an overall increase of 2.5 per cent compared to the 12 months ended 31 March 2018. Overall, this change of complexity mix and tariff led to revenue for the Opco Group remaining flat year on year.

Cost pressures continue to be felt in many areas but overall costs were well controlled in the year resulting in a slightly improved Headline EBITDAR margin of 18.8 per cent. The impact of the rent reduction, effective from 31 October 2018, had led to an improved Headline EBITDA margin of 3.0 per cent, excluding the IFRS 15 revenue adjustment the margin is 2.4 per cent (18 months ended 31 March 2018: 1.6 per cent).

In light of the evolving nature of funding mechanisms for private healthcare, the Group continues to drive operational improvement and efficiencies. Management remains focused on the core tasks of streamlining the patient pathway and driving greater operational efficiency throughout the business.

The market for clinical staff remained competitive during the period, and the Group's strategies to address this issue have continued to produce positive results. These include 'Growing our Own' clinical staff through the rollout of clinical training schemes, and a focus on staff rostering and resource planning to ensure the effective management of our clinical staff resources.

During the period the Care Quality Commission (CQC) completed their reviews of all BMI hospitals in England under the new inspection regime. At the period end all of the Group's hospitals were rated as 'good' or 'requires improvement', with none rated as unsatisfactory. Hospitals in Scotland and Wales are subject to Healthcare Improvement Scotland and Hospital Inspectorate Wales, and their ratings of the Group's hospitals are good or very good.

Financial performance
Headline EBITDAR stood at £172.6 million for the year to 31 March 2019 (£274.6 million for the 18 months to 31 March 2018) with a Headline EBITDAR margin of 18.8%, excluding the IFRS 15 revenue adjustment the margin is 20.1% (20.9% for the 18 months to 31 March 2018). Total rental costs reached £144.9 million (£253.5 million for the 18 months to 31 March 2018); as outlined earlier in this report as a result of the Transaction rental costs have reduced by £65 million per annum effective from 31 October 2018. After the Theatre PropCo rent and other third party rental costs, the Company generated a Headline EBITDA of £27.7m (£21.1.million for the 18 months to 31 March 2018). Headline EBITDA margin stood at 3.0%, excluding the IFRS 15 revenue adjustment the margin is 3.2% (1.6% for the 18 months to 31 March 2018).

Exceptional items of £62.6 million (£85.5 million for the 18 months to 31 March 2018) recorded within operating loss relate to the following items:
• In the prior period the Company has recognised a £44.7 million provision in respect of onerous leases, reflecting the fact that at the lower levels of profitability experienced in the financial period to 31 March 2018, including in particular trends in the second part of the period, some hospitals within the Company had property rentals that exceed pre-rent profits. In the current year this provision has been reassessed for current year trading and latest forecasts. Movements on the provision include utilisation of the provision £6.7 million (year ended 31 March 2018: £nil), unwind of discount rate £4.2 million (year ended 31 March 2018: £nil) and an increase in provision £8.0 million (year ended 31 March 2018: £44.7 million).

Financial performance (continued)

• The Company has incurred £17.9 million of legal and professional fees (£16.6 million for the 18 month period ended 31 March 2018) related to the Transaction as described elsewhere in the Strategic report. The costs associated with the Transaction have been recognised in the profit and loss account as the costs were not directly attributable to the costs of entering into the new facility or the revised leases. The Company has also incurred £1.7 million (£1.4 million in the 18 months ended 31 March 2018) of other redundancy costs as a result of a restructuring programme to reduce its operating cost base.

• As part of the corporate simplification process discussed elsewhere in this report the directors also assessed the recoverability of its investments and intercompany loan balances and have recognised an impairment charge in the current period of £13.8 million. The balances remaining are £1.5 million investment (see note 17) and net £11.9 million amounts owed in intercompany balances (see notes 19 and 21).

• Changes in accounting estimates have resulted in charges in the year which have been treated as exceptional. The accounting estimates that were changed are provisons relating to legal claims (£11.0 million), stock (£3.7 million) and bad debt (£3.8 million). See note 5.

• At cash generating unit, CGU, level there were further indicators of impairment at some CGUs due to the challenging trading conditions. Therefore, impairment tests on tangible and intangible assets were re-performed using the recoverable amounts of the assets' cash-generating units. An impairment charge of £6.0 million (18 month period 31 March 2018: £13.4 million) has been recognised.

• As discussed elsewhere in this report, the Group has announced the closure of seven sites of which five had been announced prior to the 31 March 2019. As a result, a provision for £3.5 million (18 month period ended 31 March 2018: £nil) has been recognised for the restructuring costs including redundancies, closure costs and on-going maintenance costs as required under the leases. See note 5 for further details.

Other exceptional items below operating profit relate to the revaluation of the RPI swap instruments to £nil resulting in a gain of £49.4 million and the revaluation of a £28.0m loan note with Theatre PropCo to £nil, the loan note was susequently released. In the prior period, exceptional items after operating loss included an impairment of a related party receivable of £3.9m and a fair value gain on RPI swaps of £70.3 million. In the current year, interest on the related party receivable has also been impaired in line with the view that the previously impaired related party receivable is still not deemed recoverable. See note 19 for further details. A non-cash return on investment in GHG Healthcare Scotland Limited (a dormant subsidiary), as part of the corporate simplification, of £37.0m has also been recognised with a gain of £20.5m representing the amount recovered in excess of the carrying amount of £16.5m of this investment. See notes 5 and 17.

At 31 March 2018, the leases on 35 of the Company's hospitals had annual rental uplifts linked to the Retail Price Index ("RPI"). The Company also held certain RPI swap instruments which, combined with the leases, achieved the economic effect of a fixed 2.5% rental uplift. Accounting standards require these RPI swaps to be carried at their fair value at each balance sheet date. The fair value movement recognised in the 18 month period to 31 March 2018 was £70.3 million, resulting in a balance sheet liability of £49.4 million as at 31 March 2018. During the year this RPI swap was revalued to £nil and the Company recognised a credit of £49.4 million in finance income. As part of the Transaction, the RPI swap instruments were terminated. See note 27 for further details.

Financial performance (continued)

The Company and Theatre PropCo were party to a rent deferral deed of £28 million which, on 12 December 2018, was settled by the issuance of a loan note between BMI Healthcare Limited and Theatre PropCo. The £28m loan note issued to BMI Healthcare Limited by Theatre PropCo was revalued to £nil and a credit of £28.0 million is recognised through finance income in the year (£nil in the 18 months to 31 March 2018). Subsequently this was waived by Theatre PropCo on 14 December 2018.

The tax charge for the period was £2.8 million (£1.3 million for the 18 months ended 31 March 2018) arising on the gain for the period. The resulting net profit after tax for the period was £14.3 million (£56.9 million loss for the 18 months ended 31 March 2018).

Outlook

The UK healthcare market's growth is underpinned by strong medium-to long-term demand drivers, such as an ageing population and growing incidence of certain diseases, and BMI hospitals have a large footprint with spare capacity. The PMI market is expected to remain challenging with lower claims incidences and continued demand management by insurers; short-term demand in the NHS remains uncertain as demand management strategies continue or are extended. The continued pressure on NHS waiting lists is expected to continue to result in more patients choosing to pay for their own treatment, thereby driving increases in self-pay volumes.

As noted above, the Transaction has placed BMI Healthcare Limited and the OpCo Group in a stronger financial position with sufficient resources to invest across their portfolio of hospitals and to allow management to focus on developing the business to strengthen its position as a market leader.

Capital projects

The Company continued to invest a significant amount for capital projects. Total capital investment in the period was £25.7 million (£63.7 million for the 18 months period to 31 March 2018). This was largely funded from cash flow and the new equity injection received as part of the Transaction, although £0.2 million (£7.4 million for the 18 months period to 31 March 2018) was funded through finance leases. The Company undertook a balanced portfolio of projects, focusing on improving and/or extending clinical services, improving hospital infrastructure, growing the diagnostic capabilities of the Company and renewing medical equipment across the estate.

Financing and treasury transactions

The OpCo Group bank facilities were amended, on 13 December 2018, so as to extend the maturity for the Term Loan B of £85 million to December 2023 and to continue to provide a committed revolving credit facility ("RCF") of £30 million maturing on 31 October 2023. The facilities also allow the Opco Group to source a super senior RCF of up to £20 million under certain conditions; this additional amount is not a committed facility. The new facilities have been entered into by a newly incorporated company, GHG Opco Bidco Limited, which is now the immediate parent of the Opco Group. The Opco Group second lien debt facility of £76 million and Opco Group shareholder liability of £440 million were extinguished on 14 December 2018. The Company maintains access to funds through a new intercompany loan between GHG Opco Bidco Limited and the Company which mirrors the terms of the Term Loan B.

Principal risks and uncertainties

The Companies Act 2006 requires all companies to disclose and discuss the principal risks and uncertainties that they face which, in most cases, are normal business risks. The Group manages risks through its committee structure, including governance committees, and through the use of a regularly updated and reviewed risk register, and risk mitigation across all levels is discussed and actioned on a regular basis by the directors.

The Group's activities expose it to a number of financial risks, including interest rate risk, credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The company does not use derivative financial instruments for speculative purposes.

Exit from the European Union risk
BMI Healthcare is monitoring the continuing uncertainty surrounding the UK's exit from the European Union. Management believe that the ongoing uncertainty is undermining consumer confidence and may be adversely impacting the market for private healthcare, particularly in the self pay market. Furthermore, we believe that exiting the European Union without an exit agreement could potentially impact negatively on both the supply and cost of goods sourced from the European Union.

While the large majority of our suppliers are UK based, we have been working with key suppliers to understand their contingency plans to maintain their supply chain and to explore mitigating actions to be taken in a no-deal scenario. Although there remains a degree of uncertainty, we believe that we are taking reasonable steps to minimise any disruption to our patients, staff, funders and wider stakeholders

Credit risk
The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made when there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

Cash flow and liquidity risk
In the ordinary course of business, in order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance. The Group manages liquidity risk by monitoring forecast and actual cash flows, and ensuring that adequate unutilised borrowing facilities are maintained to cover any short-term liquidity requirements.

Going concern

During the year the Opco Group was acquired by GHG Opco Bidco Limited, with the ultimate parent company being Hospital Topco Limited, also the ultimate parent company of the Theatre Propco. The Transaction, that included the acquisition, also included the injection of £60.1 million of new money into theGroup, an annual rent reduction of £65 million and the refinancing of the £85 million term loan and £30 million revolving credit facility, along with various releases of other liabilities. The completion of the Transaction has placed BMI Healthcare Limited and the Group in a stronger financial position.

Management of the Group have prepared covenant and liquidity forecasts for the purpose of the going concern review and have also applied various sensitivities. These forecasts and sensitivities have been reviewed by the directors together with the underlying assumptions. The forecasts show that the OpCo Group will comply with its financial covenant throughout the forecast period with appropriate headroom. The forecasts also show that the Opco Group has sufficient facilities to provide liquidity through the review period.

After making enquiries, including reviewing the forecasts and sensitivities, the directors have concluded that they have a reasonable expectation that the Group has adequate resources available to it, to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Approved by the Board of Directors and signed on behalf of the Board.

Director: Henry Davies

Date: 12 JULY 2019

Directors' report
for the year ended 31 March 2019

The directors present their report on the affairs of the Company, together with the audited financial statements and auditor's report, for the year ended 31 March 2019.

Details of events affecting the Company since the financial period end, an indication of likely future developments in the business, details of financial risk management and a statement on going concern have been included in the Strategic report and form part of this Directors' report by reference.

Principal activity

BMI Healthcare Limited ("the Company") was incorporated in the United Kingdom on 15 September 1987. It carries on the business of a private hospital group, providing an extensive range of general and specialised medical care services to both private and National Health Service (NHS) funded patients.

Dividends

As part of the corporate simplification process described elsewhere in the Strategic report the directors declared a non-cash dividend to its parent, GHG Intermediate Holdings Limited, of £1,073.6m. This was paid through the settlement of historical intercompany balances prior to 31 March 2019. During the prior 18 month period ended 31 March 2018 the dividend declared was £nil.

Directors

The directors who served throughout the year and up to the date of this report (except as noted) were as follows:

Henry Davies
Karen Prins
Catherine Vickery (resigned 30 November 2018)

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction. Trade creditors of the Company were equivalent to 43 (18 month period ended 31 March 2018: 42) days' purchases, based on the average daily amount invoiced by suppliers during the period.

Directors' and officers' insurance

The Company has directors' and officers' insurance for the benefit of, amongst others, the directors of the Company, which is in place at the date of this report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees, and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, the company magazine, and regular emails. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- the director has taken all the steps that she or he ought to have taken as a director in order to make herself or himself 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 s418 of the Companies Act 2006.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor of the Company and appropriate arrangements are being made for them to be deemed reappointed in the absence of an Annual General Meeting.

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 year. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Directors' responsibilities statement (continued)

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors and signed on behalf of the Board.

Director: Henry Davies

Date: 12 JULY 2019

Report on the audit of the financial statements

Opinion
In our opinion the financial statements BMI Healthcare Limited ("the Company"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report , other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report (continued) to the members of BMI Healthcare Limited

Report on the audit of the financial statements (continued)

Other information (continued)
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent auditor's report (continued)
to the members of BMI Healthcare Limited

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

Use of our report

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.

Richard Howe FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

12 July 2019

Profit and loss account
for the year ended 31 March 2019

	Notes	Before exceptional items and fair value movements 12 months to 31 March 2019 £'000	Exceptional items and fair value movements (note 5) 12 months to 31 March 2019 £'000	Total 12 months to 31 March 2019 £'000	Before exceptional items and fair value movements 18 months to 31 March 2018 £'000	Exceptional items and fair value movements (note 5) 18 months to 31 March 2018 £'000	Total 18 months to 31 March 2018 £'000
Turnover	4	918,149	-	**918,149**	1,313,265	-	1,313,265
Cost of services		(560,402)	-	**(560,402)**	(856,446)	-	(856,446)
Gross profit		357,747	-	**357,747**	456,819	-	456,819
Administrative expenses		(369,472)	(62,630)	**(432,102)**	(491,058)	(85,522)	(576,580)
Operating (loss)		(11,725)	(62,630)	**(74,355)**	(34,239)	(85,522)	(119,761)
Interest receivable and similar income	7	1,914	-	**1,914**	4,881	-	4,881
Other gains and (losses)	8	(165)	97,896	**97,731**	130	70,268	70,398
Interest payable and similar charges	9	(3,682)	(4,474)	**(8,156)**	(7,225)	(3,918)	(11,143)
Profit/(loss) before tax	10	(13,658)	30,792	**17,134**	(36,453)	(19,172)	(55,625)
Tax	12	(2,808)	-	**(2,808)**	(1,261)	-	(1,261)
Profit/(loss) for the period		(16,466)	30,792	**14,326**	(37,714)	(19,172)	(56,886)

The accompanying notes are an integral part of this profit and loss account.

Turnover and operating profit/loss are all derived from continuing operations.

Statement of comprehensive income
for the year ended 31 March 2019

	Note	12 months to 31 March 2019 £'000	18 months to 31 March 2018 £'000
Profit/(loss) for the period		**14,326**	(56,886)
Items that will not subsequently be reclassified to profit or loss:			
Actuarial (loss)/gain on scheme obligations		**(4,965)**	9,676
Actuarial gain/(loss) on scheme assets		**3,394**	(8,089)
Adjustments for restrictions on the defined benefit asset		**2,304**	(2,340)
Actuarial gain/(loss) on defined benefit pension schemes		**733**	(753)
Net effect in reserves arising from movements on future scheme commitment		**(733)**	753
Income tax relating to items that will not be reclassified	12	**-**	2
Other comprehensive income for the period		**-**	**2**
Total comprehensive gains/(losses) for the period		**14,326**	**(56,884)**

The accompanying notes are an integral part of the statement of other comprehensive income.

Balance sheet
as at 31 March 2019

	Notes	31 March 2019 £'000	31 March 2018 £'000
Non-current assets			
Goodwill	14	-	-
Intangible assets	15	**7,071**	6,867
Tangible assets	16	**154,672**	169,379
Fixed asset investments	17	**1,461**	17,918
		163,204	194,164
Current assets			
Stocks	18	**16,307**	22,209
Debtors - amounts falling due within one year	19	**120,954**	2,951,117
Cash and cash equivalents		**65,765**	38,300
		203,026	3,011,626
Creditors - amounts falling due within one year	21	**(146,818)**	(1,740,414)
Net current assets		**56,208**	1,271,212
Total assets less current liabilities		**219,412**	1,465,376
Non-current liabilities			
Creditors - amounts falling due after more than one year	22	**(21,385)**	(288,658)
Provision for liabilities and charges	24	**(70,495)**	(50,025)
Net assets		**127,532**	1,126,693
Capital and reserves			
Called up share capital	25	**37,600**	17,600
Share premium		**68,834**	28,713
Profit and loss account		**21,098**	1,080,380
Total shareholder's funds		**127,532**	1,126,693

The financial statements of BMI Healthcare Limited (registered number: 02164270) were approved by the board of directors and authorised for issue on: 12 JULY 2019

They were signed on its behalf by:

Director: Henry Davies

The accompanying notes form an integral part of this balance sheet.

Statement of changes in equity for the year ended 31 March 2019

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
Balance at 1 October 2016	**17,600**	**28,713**	**1,137,264**	**1,183,577**
Loss for the period	-	-	(56,886)	(56,886)
Other comprehensive income for the period	-	-	2	2
Total comprehensive losses for the period	-	-	**(56,884)**	**(56,884)**
Balance at 31 March 2018	**17,600**	**28,713**	**1,080,380**	**1,126,693**
Profit for the period	-	-	14,326	14,326
Other comprehensive loss for the period	-	-	-	-
Share issue (note 25)	20,000	40,121	-	60,121
Dividends (note 13)	-	-	(1,073,608)	(1,073,608)
Total comprehensive losses for the period	**20,000**	**40,121**	**(1,059,282)**	**(999,161)**
Balance at 31 March 2019	**37,600**	**68,834**	**21,098**	**127,532**

1 General information

BMI Healthcare Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the Company's registered office is 1st Floor 30 Cannon Street, London, EC4M 6XH, England, United Kingdom. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 2 to 9.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the Company accounts of GHG Opco Bidco Limited (for the period ended 31 March 2019). The Company accounts of GHG Opco Bidco Limited are available to the public and can be obtained as set out in note 31. The registered office address of the parent company preparing consolidated accounts is 1st Floor 30 Cannon Street, London, EC4M 6XH, England, United Kingdom.

Adoption of new and revised Standards

Amendments to IFRSs that are mandatorily effective for the current period

In the current period, the Company has applied a number of amendments to IFRSs that are mandatorily effective for an accounting period that begins on or after 1 April 2018.

The Company adopted IFRS 15 on 1 April 2018 which has resulted in a change in presentation of revenue from contracts with customers. A review of all the Company's contract identified that for certain contracts between the Company and the National Health Service ('NHS') a change was required. An increase in revenue and a corresponding increase in health professional consultant fees has been recognised. The publication of IFRS 15 includes updated, clarified, guidance on the impact of control with regards to the assessment as to whether the Company would be viewed as a principal or agent. On review of the contracts, it was viewed that the Company was acting as the principal in the transaction with NHS rather than an agent. Within the decision-making process, the Company has considered which party, ultimately, has responsibility for the provision of services to patients. This has included reviewing contracts for factors such as indemnity, pricing distraction and billing practices.

As the change has resulted in the increase in revenue recognised being offset with an increase in consultant fees, there has been no change to profit before tax.

The Company has opted to use the modified retrospective transition approach and as such the income statement for the period ended 31 March 2018 has not been restated. There is no impact as a result of the implementation of IFRS 15 on the opening retained earnings of the Company at the 1 April 2018.

As discussed above, all contracts and sources of revenue were reviewed upon adoption of IFRS 15 on 1 April 2018. No other impacts, beyond those detailed above, have been identified. Revenue recognition for the Company continues to be recognised as the medical service is rendered to patients and performance obligations have been satisfied.

Revenue recognition of interest income, investment gains/(losses) and foreign exchange gains/(losses) was unaffected as these items are excluded from the scope of IFRS 15.

The Company adopted IFRS 9: "Financial Instruments" on 1 April 2018. IFRS 9 replaces IAS 39 and the main impacts relate to; a) classification and measurement of financial assets and liabilities, b) impairment of financial assets, and c) hedge accounting.

1 General information (continued)
Adoption of new and revised Standards (continued)

Amendments to IFRSs that are mandatorily effective for the current period (continued)

The Company has elected not to restate the comparatives but instead record any adjustments identified in retained earnings in line with the transition arrangement within the standard. Following management's review, no change in net assets was identified. The Company has reviewed the classification of its financial instruments and has concluded that no change was required under IFRS 9.

The Company has also applied the following amendments to IFRSs that are mandatorily effective for an accounting period that begins on or after 1 April 2018; however, their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 2 (amendments)	The Company has adopted the amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* for the first time in the current year.
IAS 40 (amendments)	The Company has adopted the amendments to IAS 40 *Transfers of Investment Property* for the first time in the current year.
Annual Improvements to IFRSs: 2014–2016	The Company has adopted the amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 28 *Long-term Interests in Associates and Joint Ventures* for the first time in the current year.

New and revised IFRSs in issue but not yet effective

At 1 April, the following Standards and Interpretations were in issue but not yet effective (and in some cases have not been adopted by the EU):

IFRIC 23	*Uncertainty over income tax treatments*
IFRS 16	*Leases*
IFRS 10 and IAS 28 (amendments)	*Sale or contribution of assets between an investor and its associate or joint venture.*
IFRS 9 (amendments)	*Prepayment Features with Negative Compensation*
IAS 28 (amendments)	*Long-term Interests in Associates and Joint Ventures*
IAS 19 (amendments)	*Employee Benefits*
Annual Improvements to IFRS Standards 2015–2017 Cycle	

The Directors do not expect that the adoption of the above Standards and Interpretations, with the exception of IFRS 16, will have a material impact on the Financial Statements of the Company in future periods.

IFRS 16, which was endorsed by the EU on 9 November 2017, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Company will be 1 April 2019.

The Company is likely to choose to apply the standard prospectively in accordance with IFRS 16:C5(b).

1 General information (continued)
Adoption of new and revised Standards (continued)
New and revised IFRSs in issue but not yet effective (continued)

Impact of the new definition of a lease

The Company will make use of the practical expedient option available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 April 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:
– The right to obtain substantially all of the economic benefits from the use of an identified asset; and
– The right to direct the use of that asset.

The Company will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 April 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Company.

Impact on Lessee Accounting

Operating leases
IFRS 16 will change how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. On initial application of IFRS 16, for all leases (except as noted below), the Company will:
a) Recognise right of use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognise depreciation of right of use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right of use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis over the length of the lease.

Under IFRS 16, right of use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short term leases (lease term of 12 months or less) and leases of low value assets (such as personal computers and office furniture), the Company will opt to recognise a lease expense on a straight line basis as permitted by IFRS 16.

1 General information (continued)

Adoption of new and revised Standards (continued)

New and revised IFRSs in issue but not yet effective (continued)

Operating leases (continued)
As at 31 March 2019, the Company has non cancellable operating lease commitments of £3.6 billion. A preliminary assessment indicates that the Company will recognise a right of use asset of £1.1 billion and a corresponding lease liability of £1.1 billion in respect of all these leases. The impact on profit or loss is to decrease other operating expenses by £109 million, to increase depreciation by £35 million and to increase interest expense by £111 million. This assessment has been made using the WACC of 10.2% to calculate the present value of the future lease payments, this will be reassessed and is not yet final. An increase in the WACC of 1 percentage point lowers the present value of future lease payments by £91 million, a decrease of 1 percentage point increases the present value by £107 million.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to increase the cash generated by operating activities by £109 million and to increase net cash outflows in financing activities by the same amount, resulting in no material changes in cash flows.

Finance leases
The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Company will present equipment previously included in property, plant and equipment within the line item for right of use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Company's finance leases as at 31 March 2019 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have an impact on the amounts recognised in the Company's consolidated financial statements for leases presently recognised as finance leases under IAS 17.

The impact on the balance sheet of leases that will be categorised as finance leases under IFRS 16 can be seen in the section above under operating leases.

Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right of use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change the Company will reclassify certain of its sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit losses will be recognised on the finance lease receivables. The leased assets will be derecognised and finance lease asset receivables recognised. This change in accounting will change the timing of recognition of the related revenue (recognised in finance income).

2 Significant accounting policies

Basis of accounting
The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) Application of Financial Reporting Requirements issued by the Financial Reporting Council (FRC). Accordingly, these financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) Reduced Disclosure Framework.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the Company accounts of GHG Opco Bidco Limited.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties, financial instruments and investment property that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Going concern
These financial statements have been prepared on the going concern basis. During the year the Opco Group was acquired by GHG Opco Bidco Limited, with the ultimate parent company being Hospital Topco Limited, also the ultimate parent company of the Theatre PropCo. This acquisition transaction also included the injection of £60.1 million of new money into the Opco Company, an annual rent reduction of £65 million and the refinancing of the £85 million term loan and £30 million revolving credit facility, along with various releases of other liabilities. The completion of the Transaction has placed BMI Healthcare Limited and the Group in a stronger financial position.

Management of the Company have prepared covenant and liquidity forecasts for the purpose of the going concern review and have also applied various sensitivities. These forecasts and sensitivities have been reviewed by the directors together with the underlying assumptions which the BMI Healthcare Limited board has agreed are reasonable. The forecasts show that the OpCo Group will comply with its financial covenants throughout the forecast period with appropriate headroom. The forecasts also show that the Comany, and thus the Opco Group, has sufficient facilities to provide liquidity through the review period.

After making enquiries, including reviewing the forecasts and sensitivities, the directors have concluded that they have a reasonable expectation that the Company has adequate resources available to it, to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2 Significant accounting policies (continued)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Company's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for at cost less, where appropriate, provisions for impairment.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are recognised if it is probable that future economic benefits will flow to the entity from the assets and the costs can be reliably measured.

Amortisation is recognised so as to write off the cost of the intangible assets, using the straight-line method, on the following bases:

Computer software	3 to 7 years

2 Significant accounting policies (continued)

Tangible fixed assets
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Where an item comprises major components with different useful lives, these components are accounted for as separate items.

Property, plant and equipment is depreciated to its estimated residual value on a straight-line basis over its expected useful life. The depreciation methods, estimated remaining useful lives and residual values are reviewed annually.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold and leasehold buildings	50 to 75 years
Plant and equipment (including medical equipment)	3 to 10 years
Leasehold improvements	5 to 10 years

Assets held under finance leases are depreciated over the expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales' proceeds and the carrying amount of the asset and is recognised as income.

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

Capital work in progress represents ongoing fixed asset projects not yet in use. On completion of the project the amount capitalised is transferred to another tangible fixed asset category and depreciation then commences.

2 Significant accounting policies (continued)

Impairment of tangible and intangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Stocks

Inventories, comprising medical consumables, are valued at the lower of cost and net realisable value on a first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Other consumables, including crockery, cutlery, linen and soft furnishings, are valued at average cost and written down with regard to their age and condition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2 Significant accounting policies (continued)

Revenue recognition

The Company recognises revenue from the following major sources:

• Provision of medical care services including accommodation, theatre fees and medical consumables;
• Administration fees charged;
• Inventory items sold, to third parties;
• Interest income; and
• Dividends.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

Provisions of medical care services:

The Company provides an extensive range of general and specialised medical care services to both private and NHS funded patients. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these healthcare services based on the stage of completion of the contract. On a daily basis, charges for patients are keyed and details of the service provided recorded. The directors have assessed that the stage of completion determined by the charges keep for each patient at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under IFRS 15. Payment for the majority of medical care services is not due from the customer until the services are complete and therefore a contract asset is recognised over the period in which the services are performed representing the entity's right to consideration for the services performed to date. Self pay customers pay prior to receiving medical care services and therefore a contract liability is recognised for this until the service is performed and the entity has a right to the consideration.

The transaction price recognised as revenue is made up from variable amounts, including discounts relating to Insurer rebates; as well as fixed charges. The revenue recognised is the amount of consideration the directors expect to receive from the customer in exchange of the satisfactory performance of service provided.

Other revenue streams:

The Company has other revenue streams including administrative fees charged to consultants, selling medical supplies to third parties and room rental. Under IFRS 15, revenue is only recognised when performance obligations are satisfied, whether that is the provision of administrative services or transfer of goods as part of inventory sales.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount, when it is determined that such income will accrue to the company.

Dividends are recognised when the shareholder's right to receive payment is established.

Taxation

The tax expense represents the sum of the tax currently payable and the deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

2 Significant accounting policies (continued)

Taxation (continued)
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised (other than in a business combination) if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2 Significant accounting policies (continued)

Pension costs
For defined benefit schemes, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of changes in equity. Any future committed contributions into the pension scheme are accrued.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Where the plan assets exceed the gross obligation, the asset recognised is limited to the total of unrecognised net actuarial losses and unrecognised past service costs related to the improvements of the defined benefit pension.

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Financial instruments
The accounting policies with reference to financial instruments below reflect both the policy under both IAS 39 and IFRS 9. Where a change in policy has been implemented as a result of IFRS 9, this has been reflected within the notes.

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

(a) Financial assets
All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value.

All financial assets, other than cash and cash equivalents and derivatives, are classified as "loans and receivables".

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market were classified as loans and receivables under IAS 39. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Under IFRS 9, the business model under which each portfolio of trade receivables held, has been assessed. The Company hold loans and receivable in order to collect the contractual cash flows and is therefore measured at amortised cost.

2 Significant accounting policies (continued)

Financial instruments (continued)
(a) Financial assets (continued)

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39.

For trade receivables, the Company uses the simplified approach under IFRS 9 to recognise lifetime expected credit losses.

For trade receivables, the Company recognises a loss allowance for expected credit losses at amount equal to the lifetime expected credit loss. This is recorded through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Aside from trade receivables, the carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

Derecognition of financial assets
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2 Significant accounting policies (continued)

Financial instruments (continued)

(b) Financial liabilities and equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities
Financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

2 Significant accounting policies (continued)

c) Derivative financial instruments

The Company can enter into a variety of derivative financial instruments to manage its exposure to interest rates and inflation, including interest rate swaps and Retail Price Index ("RPI") swaps. Further details of derivative financial instruments are disclosed in note 27 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Exceptional items and fair value adjustments

The Company presents certain material exceptional items and fair value adjustments separately in the income statement, if they are material because of their size or their nature. The directors consider that the separate reporting provides a clearer understanding of the Company's underlying performance. Refer to note 5 for further details.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The directors have applied the same methodology and accounting policies to the critical accounting judgements made in the preparation of the Company accounts as were applied in the preparation of the Company accounts. The following information on critical accounting judgements and key sources of estimation uncertainty is applicable to the consolidated accounts and the Company accounts, where relevant.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting judgements

Impairment of assets
Property, plant and equipment, and other intangible assets are considered for impairment if there is any reason to believe that impairment may be necessary.

All hospital fixed assets are Companyed into cash-generating units (CGUs), being each individual hospital operation, and tested for impairment, if any indicators of impairment exist.

At 31 March 2019, Property, plant and equipment, and other intangible assets were considered for impairment. The Company assessed the recoverable values of each CGU using forecasts of the pre-rent profitability of each hospital unit, the anticipated maintenance capital expenditure for each hospital, and rental cash flows under each lease.

Onerous lease provisions
The Company assessed its leases as at 31 March 2019 using forecasts of the pre-rent profitability of each hospital unit, the anticipated maintenance capital expenditure for each hospital and rental cash flows under each lease.

Key sources of estimation uncertainty

Future cashflows
The Company tests its fixed assets and goodwill for impairment when indicators of impairment exist. The recoverable amounts of assets, individual cash-generating units (CGUs) and Companys of CGUs are based on the Company's best estimate of the future cash flows relating to those assets or CGUs discounted to reflect the time value of money and the risks specific to the asset, Company of assets or contracts and leases under consideration. The resulting impairment calculations are highly sensitive to changes in the timing or quantum of future cash flows, the discount rates used and the assumed long-term growth rate. In particular, changes in one or more of these inputs to management's estimations could result in material reversals of impairment losses, or the recognition of further non-cash impairment charges. See notes 14, 15 and 16 for further discussion of the methodology, rationale for selecting these inputs to management's estimations and sensitivity analysis.

The Company also recognises provisions for onerous leases on its hospital sites when the unavoidable costs of meeting the obligations under the contract (rental costs) exceed the economic benefits expected to be received under it. These economic benefits are estimated using the future cash flows described above. The value of the subsequent onerous lease provision is also highly sensitive to changes in the quantum and timing of cash flows, the discount rates and the long-term growth rate. Any change in these inputs could result in material changes to the value of the onerous lease provisions recognised, with consequent non-cash credits or charges to operating expenses. See note 24 for further discussion of the approach taken to the recognition of provisions for onerous leases and sensitivity analysis.

4 Turnover and revenue

An analysis of the Company's turnover and revenue is as follows:

	Note	12 months to 31 March 2019 £'000	18 months to 31 March 2018 £'000
Continuing operations			
Provision of healthcare services by customer		**918,149**	1,313,265
Private medical insurers		434,438	685,345
NHS		219,511	337,743
NHS (IFRS 15 adjustment)[1]		59,040	-
Self-pay		137,029	189,712
Other		68,130	100,465
Turnover		**918,149**	1,313,265
Interest receivable and similar income	7	**1,914**	4,881
Total revenue		**920,063**	1,318,146

[1]Implementation of IFRS15 Revenue from Contracts with Customers during the period resulted in a change in presentation for the twelve months to 31 March 2019 with an increase of £59.0 million to both revenue and expenses. There was no impact on net profit.

5 Exceptional items and fair value movements

In 2019, the Company's directors have concluded that certain material exceptional items and fair value movements should be presented separately in the income statement. The comparative figures have been presented in accordance with this accounting policy in these financial statements. The directors consider that the separate reporting provides a clearer understanding of the Company's underlying performance. The following items were non-cash movements except for professional and legal expenses and redundancy costs.

The exceptional items and material fair value movements charged/(credited) for the year ended 31 March 2019 were:

	Administrative expenses £'000	Other gains and losses £'000	Interest payable and similar charges £'000	Total £'000
Non-recurring professional and legal expenses	17,910	-	-	**17,910**
Site closures	3,541	-	-	**3,541**
Other redundancy costs	1,653	-	-	**1,653**
Corporate simplification	13,785	(20,518)	-	**(6,733)**
Changes in accounting estimates				
Legal claims	10,965	-	-	**10,965**
Stock provision	3,747	-	-	**3,747**
Bad debt provision	3,797	-	-	**3,797**
Onerous lease provisions	1,256	-	4,246	**5,502**
Impairment of tangible fixed assets at leased hospitals	5,952	-	-	**5,952**
Impairment of computer software intangible assets at leased hospitals	24	-	-	**24**
Fair value movement on financial liability held at FVTPL	-	(49,392)	-	**(49,392)**
Waiver of loan note due to related party	-	(27,986)	-	**(27,986)**
Impairment of financial receivable from GHG Senior Staff Limited Partnership[1]	-	-	228	**228**
	62,630	(97,896)	4,474	**(30,792)**

5 Exceptional items and fair value movements (continued)

The exceptional items charged/(credited) for the 18 month period ended 31 March 2018 were:

	Administrative expenses £'000	Other gains and losses £'000	Interest payable and similar charges £'000	Total £'000
Non-recurring professional and legal expenses	16,637	-	-	**16,637**
Redundancy costs	1,410	-	-	**1,410**
Fair value movement on financial liability held at FVTPL	-	(70,268)	-	**(70,268)**
Impairment of financial receivable from GHG Senior Staff Limited Partnership[1]	-	-	3,918	**3,918**
Impairment of tangible fixed assets at leased hospitals	13,368	-	-	**13,368**
Impairment of computer software intangible assets at leased hospitals	48	-	-	**48**
Onerous lease provisions	44,692	-	-	**44,692**
Impairment of Goodwill	22,726	-	-	**22,726**
Reversal of investment impairment	(13,359)	-	-	**(13,359)**
	85,522	(70,268)	3,918	**19,172**

[1]GHG Senior Staff Limited Partnership was previously classified as a related party as it was within the previous group prior to the Transaction.

Non-recurring professional and legal expenses
The Company has incurred £17.9m of legal and professional fees (period ended 31 March 2018: £16.6) largely related to the Transaction. The costs associated with the Transaction have been recognised in the profit and loss account to the extent that costs were not directly attributable to the costs of entering into the new facilities or the revised leases.

Site closures
The Company has also provided for £3.5m of costs expected to be incurred as a result of site closures. The Group announced the closure of seven sites of which five had been announced prior to the 31 March 2019. The provision has been recognised, in respect of the five sites announced by year end, for the restructuring costs including closure costs and on-going maintenance costs until anticipated return of leased assets to the lessor as required under the leases.

Other redundancy costs
The Company has also incurred £1.7m of redundancy costs as a result of a restructuring programme to reduce its operating cost base.

5 Exceptional items and fair value movements (continued)

Corporate simplification

The Group underwent a corporate simplification exercise during the year in which intercompany loans were reassigned so that all intercompany balances involved the Company as a counterparty, capital reductions were undertaken in order to create distributable reserves and distributions were made throughout the group. This process resulted in an elimination of intercompany balances and write-off of £13.8m of intercompany balances and investments. As part of the exercise, GHG Healthcare Scotland Limited (a dormant subsidiary company) made a return on the Company's investment by way of a distribution of a loan receivable held by GHG Healthcare Scotland Limited due from the Company. The value of the loan receivable of £36.8m was distributed with the gain of £20.5m being recognised in the profit and loss statement. See note 17.

Changes in accounting estimates

Stock provision:

The company updated its estimation of the stock provision in the current year. Under IAS 8, this has been recognised prospectively in the income statement. The impact in the current period of £3.7 m is disclosed separately as an exceptional item due to the one-off nature. The estimate was updated as management have access to better information about the indicators of stock obsolescence within the business. The impact on future periods is expected to be minimal as the same approach will be taken in future years. See note 18 for the impact on the balance sheet as at the year end.

Bad debt provision:

The company updated its estimation of the bad debt provision in the current year. Under IAS 8, this has been recognised prospectively in the income statement. The impact in the current period of £3.8m is disclosed separately as an exceptional item due to the one-off nature. The estimate was updated as management reviewed the risk indicators of each customer category. The estimation methodology was also considered along with the requirements of IFRS 9. The impact on future periods is expected to be minimal as the same approach will be taken in future years. See note 19 for the impact on the balance sheet as at the current year end.

Legal provision:

The company updated its estimation of the legal provision required in the current year. Under IAS 8, this has been recognised prospectively in the income statement. The impact in the current period of £11.0 m is disclosed separately as an exceptional item due to the one-off nature. The estimate was updated as management reviewed the data available of historical claims received in order to be able to estimate the "incurred but not reported" claims. The impact on future periods is expected to be minimal as the same approach will be taken in future years. See note 24 for the impact on the balance sheet as at the current year end.

Onerous lease provisions

The Company has provided for unavoidable costs on individual property leases where it is considered probable that the obligations under the lease agreements exceed the likely economic benefits expected to be received in future years. The estimate is based on expected cash flows including lease costs and capital expenditure to maintain the current forecast level of trading. These cash flows have been discounted at a rate to reflect the risk as well as the time value of money.

A provision of £50.1m (period ended 31 March 2018: £44.7) has been recognised as a result of the current trading environment (as detailed in the Strategic report). The increase in onerous lease provision of £5.4m is as a result of interest on discount unwind (£4.1m), increase as a result of current trading conditions (£8.0m) and utilisation of prior year provision (£6.6m). See note 24.

5 Exceptional items and fair value movements (continued)

Impairment of tangible and intangible assets at leased hospitals

Under IAS 37, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets dedicated to that contract. The directors have reviewed the Company's revised business plans, basing their assessment on recent and projected levels of profitability. Assets were allocated to cash generating units (CGUs), which were comprised of individual hospitals, as this is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets. This resulted in a non-cash impairment of £6.0m (2018: £13.4) against the value of the assets held within each property where the carrying value exceeded the recoverable value, determined by their value in use. See notes 15 and 16.

Fair value movement on financial liability held at FVTPL

The Company previously held RPI swap instruments which were used to achieve the fixed rental uplifts on the leases with the Theatre PropCos. The Company reviewed the fair value of the instruments and the liability was revalued to £nil, resulting in a gain of £49.4m being recognised. As part of the Transaction, the RPI swap instruments between the Company and the counterparty were terminated by mutual agreement on 14 December 2018.

Derecognition of loan note due to related party

The liability previously recognised for deferred rent relating to the Theatre Propcos was converted to a Loan note on the 12 December 2018. The loan note issued to the Company by Theatre PropCo was subsequently waived on the 14 December 2018. The Company elected to recognise a gain on derecognition in the profit and loss.

Impairment of financial receivable from GHG Senior Staff Limited Partnership

GHG Senior Staff Limited Partnership is an entity that was previously classified as a related party as it was within the previous group prior to the Transaction. The recoverability of the financing asset due from GHG Senior Staff Limited Partnership was deemed by the directors to be lower than the carrying amount of the financial asset and was impaired to £nil at 31 March 2018. An additional impairment of £0.3m has been applied to the interest income accrued in relation to this financial asset within the year. See notes 9 and 19.

6 Straight-lining of lease rentals

Under IAS 17 *Lease*, lease payments made under operating leases should be "recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit". The leases on properties rented from the Theatre and Magnolia Propcos have a 1% floor on annual rental increases. Therefore, the additional known minimal rent over the life of the leases is spread over the remaining life. Prior to the Transaction the Theatre leases did not contain a minimum uplift and therefore the charge in the current year includes £6.2m (2018: £nil).

As a result, some of the Company's operating leases payable in respect of land and buildings have been recognised in the profit and loss statement on a straight-line basis. The additional expense included in the Company's profit and loss as a result of this adjustment is as follows:

	12 months to 31 March 2019 £'000	18 months to 31 March 2018 £'000
	6,917	1,382

A corresponding liability has been recognised, as disclosed in note 22.

Notes to the financial statements
for the year ended 31 March 2019 (continued)

7 Interest receivable and similar income

	12 months to 31 March 2019 £'000	18 months to 31 March 2018 £'000
Bank interest income	**147**	73
Other interest	**427**	583
Dividend income	**1,340**	4,225
	1,914	4,881

8 Other gains and losses

	Note	12 months to 31 March 2019 £'000	18 months to 31 March 2018 £'000
(Loss) on disposal of tangible fixed assets		**(166)**	(360)
Profit on disposal of investment in joint venture	17	**-**	490
Fair value gain on derivative financial instruments	27	**49,392**	70,268
Gain on return of investment from GHG Healthcare Scotland Limited	5	**20,519**	-
Derecognition of loan note due to related party		**27,986**	-
		97,731	70,398

9 Interest payable and similar charges

	Note	12 months to 31 March 2019 £'000	18 months to 31 March 2018 £'000
Interest on loans from group undertakings		**1,007**	1,995
Impairment of financial receivable	5	**228**	3,918
Onerous lease discount unwind	24	**4,246**	-
Other interest		**2,675**	5,230
		8,156	11,143

10 Profit/(loss) for the financial period

Profit/(loss) for the period has been arrived at after charging/(crediting):

	Note	12 months to 31 March 2019 £'000	18 months to 31 March 2018 £'000
Depreciation of tangible fixed assets	16	**26,939**	47,604
Impairment of tangible and intangible fixed assets	15, 16	**5,976**	13,416
Impairment of Goodwill	14	**-**	22,726
Loss on disposal of fixed assets	15, 16	**(166)**	(360)
Amortisation of intangible assets	15	**5,535**	6,142
Cost of stock recognised as expense		**189,972**	286,710
Impairment of financial debtor from related party	19	**228**	3,918
Provision for site closures	5	**3,541**	-
Other redundancy costs	5	**1,653**	1,797
Operating lease charges:			
Land and buildings (excluding exceptional items)		**144,927**	254,908
Other		**11,139**	17,586
Net movement in provisions:			
- Exceptional items (onerous lease provisions)	5	**5,502**	44,692
- Other		**-**	(688)

Staff costs

	Note	12 months to 31 March 2019 £'000	18 months to 31 March 2018 £'000
Staff costs (including directors)			
Wages and salaries		**237,686**	357,966
Social security costs		**21,552**	31,327
Net pension cost	28	**7,771**	11,619
		267,009	400,912

10 Profit/(loss) for the financial period (continued)

The average number of full-time equivalent employees excluding bank (including executive directors) during the year was 6,705 (18 month period ended 31 March 2018: 7,491). The average number of employees at the reporting date (including executive directors) was:

	12 months to 31 March 2019	18 months to 31 March 2018
	No.	**No.**
Executive	**5**	8
Management	**414**	515
Professional	**2,655**	2,988
Enrolled nursing and support	**4,943**	5,398
	8,017	8,909

Directors' emoluments

	12 months to 31 March 2019	18 months to 31 March 2018
	£'000	**£'000**
Directors' remuneration:		
Emoluments	**869**	1,650
Pension-related payments	**76**	89
Benefits in kind and other	**722**	155
	1,667	1,894

During the period, three directors were remunerated by the Company (2018: four). Two were members of a money purchase pension scheme (2018: three). The highest paid director received £452,250 (2018: £719,641) in emoluments and £39,008 (2018: £33,930) in pension-related payments during the period.

During the year, and prior 18 month period to 31 March 2018, no retirement benefits were paid to directors or past directors in excess of their entitlement at the date of retirement.

11 Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £301,580 (2018: £410,285).

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

12 Tax

	12 months to 31 March 2019	18 months to 31 March 2018
	£'000	**£'000**
Current tax:		
- Corporation tax at 19.0% (2018: 19.33%)	**2,896**	1,403
- Adjustments in respect of prior years	**(40)**	-
	2,856	1,403
Deferred tax (note 23)	**(48)**	(142)
- Origination and reversal of temporary differences	528	(1,778)
- Effect of decrease in tax rate	(576)	1,636
	2,808	**1,261**

The charge for the period can be reconciled to the loss in the profit and loss account as follows:

	12 months to 31 March 2019	18 months to 31 March 2018
	£'000	**£'000**
Profit/(loss) before tax	**17,134**	(55,625)
Tax at the UK corporation tax rate of 19.0% (2018: 19.33%)	**3,255**	(10,752)
Effects of:		
- Income not taxable	**(9,426)**	1,867
- Expenses not deductible for tax purposes	**5,309**	
- Tax losses not recognised	**4,286**	8,510
- Changes in tax rate	**(576)**	1,636
- Adjustment to tax charge in respect of previous periods	**(40)**	-
Current tax charge for period	**2,808**	1,261

12 Tax (continued)

The United Kingdom corporation tax rate decreased to 19% on 1 April 2017 and will decrease to 17% from 1 April 2020. As such, deferred tax has been provided at the rate of 19% or 17% depending on when the temporary differences are expected to reverse.

In addition to the amount credited to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	31 March 2019 £'000	31 March 2018 £'000
Current tax		
UK current tax charge on provision for future pension costs movement	**(48)**	(145)
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Pension reserve	**48**	143
Total income tax recognised in other comprehensive income	**-**	(2)

13 Dividends on equity shares

	12 months to 31 March 2019 £'000	18 months to 31 March 2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Dividend for the year ended 31 March 2019 of 571.1p per ordinary share	1,073,608	-

As part of the corporate simplification process described elsewhere in the Strategic Report the directors declared a dividend to its parent, GHG Intermediate Holdings Limited, of £1,073.6m. This was paid through the settlement of intercompany balances prior to 31 March 2019. During the prior 18 month period ended 31 March 2018 the dividend declared was £nil.

14 Goodwill

	31 March 2019 £'000	31 March 2018 £'000
Cost		
At 1 April 2018 and 31 March 2019	**46,677**	46,677
Accumulated impairment losses		
At 1 April 2018	**(46,677)**	(23,951)
In period impairment	**-**	(22,726)
At 31 March 2019	**(46,677)**	(46,677)
Carrying amount		
At 1 April 2018 and 31 March 2019	**-**	-

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs), or group of units that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to the Company's hospital operations, representing a single CGU for goodwill allocation purposes.

The Company tested goodwill annually for impairment and the Company's goodwill was fully impaired at 30 September 2017 following the goodwill impairment review as at 30 September 2017. The Company no longer recognises any goodwill and no goodwill has been generated in the year.

15 Intangible assets

	Computer software £'000
Cost	
At 1 April 2018	30,587
Additions	1,479
Disposals	(6,589)
Transfers from tangible fixed assets	4,284
At 31 March 2019	29,761
Amortisation and impairments	
At 1 April 2018	(23,720)
Charge for the period	(5,535)
Impairment loss	(24)
Disposals	6,589
Transfers to tangible fixed assets	-
At 31 March 2019	(22,690)
Carrying amount	
At 31 March 2019	**7,071**
At 31 March 2018	6,867

The cashflow forecasts used in the prior year impairment reviews were reviewed against actual performance. Due to the impairment tests being carried out at CGU level there were further indicators of impairment at some CGUs due to the challenging trading conditions set out in the Strategic report. The impairment tests were performed using the recoverable amounts of the assets' cash-generating units (generally, the hospital at which each individual asset is based). The discount rate used in measuring value in use was 11.3% per annum (pre-tax) (2018: 9.96%). The Company also estimated the fair value less costs of disposal of these assets, which is based on the recent market prices of assets with similar age and obsolescence. The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use. The review led to an impairment loss of £0.02m (18m month period ended 31 March 2018: £0.05 million), which has been recognised in profit or loss.

Refer to note 5 for further details of these impairments. Sensitivity analysis of this impairment has been performed alongside tangible assets and details can be seen in note 16.

16 Tangible fixed assets

	Land £'000	Freehold and leasehold buildings £'000	Plant and equipment £'000	Capital work in progress £'000	Total £'000
Cost					
At 1 April 2018	296	147,575	352,622	11,647	**512,140**
Additions	-	8,747	12,345	3,165	**24,257**
Disposals	-	(3,554)	(11,237)	(296)	**(15,087)**
Transfers between categories	(296)	3,722	836	(4,262)	-
Transfers to intangible assets	-	-	-	(4,284)	**(4,284)**
At 31 March 2019	-	156,490	354,566	5,970	**517,026**
Accumulated depreciation and impairment					
At 1 April 2018	-	(66,635)	(274,717)	(1,409)	**(342,761)**
Charge for the year	-	(7,131)	(19,808)	-	**(26,939)**
Impairment loss	-	(1,789)	(4,174)	11	**(5,952)**
Disposals	-	2,895	10,403	-	**13,298**
Transfers between categories	-	-	-	-	-
Transfers from intangible assets	-	-	-	-	-
At 31 March 2019	-	(72,660)	(288,296)	(1,398)	**(362,354)**
Carrying amount					
At 31 March 2019	-	**83,830**	**66,270**	**4,572**	**154,672**
At 31 March 2018	296	80,940	77,905	10,238	169,379

Tangible assets are stated at fair value on acquisition of subsidiaries, with other expenditure at cost. The net book value of tangible assets held under finance leases was £13.0m (31 March 2018: £16.9m).

A total of £24.3m (18 month period ended 31 March 2018: £62.8m) of additions to property, plant and equipment were made during the year, of which £0.2m (18 month period ended 31 March 2018: £7.4m) was funded through finance leases during the year. All assets funded through finance leases were classified as plant and equipment.

The cashflow forecasts used in the prior year impairment reviews were reviewed against actual performance. Due to the impairment tests being carried out at CGU level there were further indicators of impairment at some CGUs due to the challenging trading conditions set out in the Strategic report. The impairment tests were performed using the recoverable amounts of the assets' cash-generating units (generally, the hospital at which each individual asset is based). The discount rate used in measuring value in use was 11.3% per annum (pre-tax) (2018: 9.96%). The Company also estimated the fair value less costs of disposal of these assets, which is based on the recent market prices of assets with similar age and obsolescence. The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use. The review led to an impairment loss of £6.0m (18month period ended 31 March 2018: £13.4m), which has been recognised in profit or loss.

Refer to note 5 for further details of these impairments.

16 Tangible fixed assets (continued)

The Company has conducted a sensitivity analysis on the tangible and intangible assets impairment test of the CGUs and the group of units carrying value, as follows;

• If the forecast terminal cashflows (FY23 and subsequent) across the group were £1.0m per annum lower/higher, prorated across all hospitals, the overall impairment would increase/decrease by £0.8m/£0.5m.
• If the pre-tax WACC rate was increased/decreased by 1 percentage point, the overall impairment would increase/decrease by £0.6m/£0.3m.
• If the long term growth rate was increased/decreased by 0.25 percentage point, the overall impairment would decrease/increase by £1.2m/£2.6m.

17 Fixed asset investments

	31 March 2019 £'000	31 March 2018 £'000
Fixed asset investments comprise the following:		
Subsidiary undertakings	1,461	17,918
	1,461	17,918

A full listing of subsidiary undertakings and other significant investments is included at note 32 and contains further details including the address for the registered office.

	GHG Healthcare Scotland Ltd £'000	BMI Hospital Decontamination Ltd £'000	Total £'000
Cost			
At 1 April 2018 and 31 March 2019	16,457	1,461	17,918
Provisions for impairment			
At 1 April 2018	-	-	-
Return of investment	(16,457)	-	(16,457)
Carrying amount			
At 1 April 2018 and 31 March 2019	-	1,461	1,461

During the year, as part of the corporate simplification exercise explained elsewhere in the Strategic Report, GHG Healthcare Scotland Limited (a dormant subsidiary company) made a return on the Company's investment by way of a distribution of a loan receivable held by GHG Healthcare Scotland due from the Company. The value of the loan receivable of £36.8m was distributed with the gain of £20.4m being recognised in the Income statement. See note 8.

17 Fixed asset investments (continued)

Joint venture undertaking

In the prior year, the Company held a 50% interest in The Thornbury Radiosurgery Centre Limited, and accounted for the investment as an associate. On 22 June 2017, the Company disposed of its entire 50% interest in The Thornbury Radiosurgery Centre Limited to a third party for proceeds of £1.0m. A gain on disposal was recognised as follows:

	31 March 2018 £'000
Proceeds of disposal	980
Less: carrying amount of investment	(490)
Gain recognised	490

Associate undertaking

The company's associate, Three Shires Hospital LLP, is incorporated in the United Kingdom. The principal activity of this entity is the provision of healthcare services and supplies.

	31 March 2019 £'000	31 March 2018 £'000
Three Shires Hospital LLP at cost	-	-

18 Stocks

	31 March 2019 £'000	31 March 2018 £'000
Medical and pharmaceutical merchandise and other consumables:		
Cost	20,154	22,780
Provision[1]	(3,847)	(571)
	16,307	22,209

[1] See Note 5 regarding amount relating to change in accounting estimate for the stock provision

19 Debtors - amounts falling due within one year

	31 March 2019 £'000	31 March 2018 £'000
Trade debtors net of provision[1]	73,052	62,843
Tax Debtor	2,696	-
Amounts owed by fellow group undertakings and associates	13,597	2,835,676
Other debtors	15,159	12,500
Prepayments and accrued income	16,450	40,098
	120,954	2,951,117

[1] See Note 5 regarding amount relating to change in accounting estimate for the bad debt provision

19 Debtors - amounts falling due within one year (continued)

Amounts owed by fellow group undertakings are unsecured and repayable on demand. Included within Other debtors is a loan note to GHG Senior Staff Limited Partnership, a former related party under the group structure prior to the Transaction. This is unsecured and repayable on demand. Interest of 7.7% per annum (2018: 7.7%) is charged on this loan. As at 31 March 2018 the directors assessed the recoverability to be £nil and it was impaired with a charge of £3.9m. The interest charge in the current year of £0.3m has also been impaired. See note 5.

20 Contracts with customers: net asset

Unbilled receivables represent revenue recognised on contracts less associated discounts. These amounts will be billed in accordance with agreed-upon contractual terms upon completion of treatment to patients.

Contract liabilities consist of advance payments and billings to patients in excess of services provided and costs incurred and warranties on services performed. Advance payments and billings are typically associated with our self pay patients. All contract liabilities are current.

All balances shown below are included in note 19, trade debtors.

	31 March 2019 £'000	31 March 2018 £'000
Unbilled revenue	13,997	14,975
Advance payments on self pay patients	(6,605)	(5,922)
	7,392	9,053

Unbilled revenue has reduced slightly between 31 March 2019 and 31 March 2018 due to a combination of improved revenue billing processes offset by slightly reduced revenues in the year. The contract asset balance shown is gross of any impairment losses. Impairment losses for trade debtors are calculated using a methodology looking at billed and unbilled revenue collectively and therefore the provision on the asset balance shown is included within the net trade debtors balance shown in note 19.

The advance payments on self pay patients is up to 60 days and therefore the full £5.9m opening balance was recognised as revenue in the current period.

21 Creditors - amounts falling due within one year

	Note	31 March 2019 £'000	31 March 2018 £'000
Trade creditors		63,900	64,011
Amounts due to Theatre PropCo		-	27,986
Amounts due to fellow group undertakings		1,693	1,571,269
Amounts due to parent undertakings		-	692
Other payables		13,813	18,887
Tax and social security		6,890	6,445
Accruals		55,389	46,776
Obligations under finance leases	22	5,133	4,348
		146,818	1,740,414

21 Creditors - amounts falling due within one year (continued)

As noted elsewhere in the Strategic Report, the Company simplified the corporate structure and intercompany balances during the year. The balances remaining are interest free and repayable on demand.

The amounts that were due to the Theatre PropCos related to deferred rent from the first quarter of the leases on inception in 2006 with the Theatre PropCos. These amounts were unsecured and interest free. Refer to note 5 for details of the conversion of this liability to a loan note which was subsequently released after the Transaction in December 2018.

22 Creditors - amounts falling due after more than one year

	Note	31 March 2019 £'000	31 March 2018 £'000
Amounts due to fellow group undertakings		**-**	219,813
Straight-lining lease liability		**12,803**	5,886
Derivative financial instruments	27	**-**	49,392
Obligations under finance leases		**8,582**	13,567
		21,385	288,658

Amounts due to fellow group undertakings are unsecured and interest-free.

Straight-line lease liability

	31 March £'000	31 March £'000
The movement on the straight-line lease liability is as follows:		
At beginning of the period	**5,886**	4,504
Charge to profit and loss	**6,917**	1,382
At end of the period	**12,803**	5,886

Obligations under finance leases

	31 March 2019 £'000	31 March 2018 £'000
The minimum lease payments are as follows:		
Within one year	**6,089**	6,344
In the second to fifth years inclusive	**9,334**	13,880
After five years	**-**	1,565
	15,423	21,789
Less: future finance charges	**(1,708)**	(3,874)
Present value of lease obligations	**13,715**	17,915

Notes to the financial statements
for the year ended 31 March 2019 (continued)

22 Creditors - amounts falling due after more than one year (continued)

	31 March 2019	31 March 2018
	£'000	£'000
The present value of the minimum lease payments has the following maturity payment profile:		
Within one year	**5,133**	4,348
In the second to fifth years inclusive	**8,009**	12,047
After five years	**573**	1,520
	13,715	17,915

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling. The fair value of the group's lease obligations is approximately equal to their carrying amount.

23 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £000	Short-term timing differences £000	Retirement benefit obligations £000	Derivatives transition £000	Tax losses £000	Total £000
At 1 October 2016	(4,531)	(896)	(190)	41,306	(35,689)	-
(Credit)/charge to profit or loss	(9,291)	722	-	(7,267)	14,058	(1,778)
Charge to other comprehensive income	-	-	145	-	-	145
Effect of tax rate changes:						
- income statement	955	(1)	-	128	554	1,636
- equity	-	-	(3)	-	-	(3)
At 31 March 2018	(12,867)	(175)	(48)	34,167	(21,077)	-
(Credit)/charge to profit or loss	1,990	26	-	(4,937)	3,448	527
Charge to other comprehensive income	-	-	48	-	-	48
Effect of tax rate changes:						
- income statement	(41)	(3)	-	-	(531)	(575)
- equity	-	-	-	-	-	-
At 31 March 2019	**(10,918)**	**(152)**	**-**	**29,230**	**(18,160)**	**-**

23 Deferred tax (continued)

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	31 March 2019 £'000	31 March 2018 £'000
Deferred tax liabilities	29,230	34,167
Deferred tax assets	(29,230)	(34,167)

At the balance sheet date the Company has unused tax losses of £285m (2018: £286m) available for offset against future profits. A deferred tax asset has been recognised for £107m (2018: £123m) of these losses. No deferred tax asset has been recognised for the remaining £178m (2018: £231m) as there is not sufficient certainty over future profits available to offset these losses. Losses may be carried forward indefinitely. In assessing the level of deferred tax asset to be recognised, the directors have taken into account the level of deferred tax liability and limited the recognition of the deferred tax asset to the level of deferred tax liability. The directors have assessed the current forecasts and estimate that the deferred tax asset will be realised within eight years, which is 18 months in excess of the expected unwind of the deferred tax liability.

24 Provisions

	Site closure related provision	Provision for legal claims £'000	Property-related provision £'000	Future pension commitments £'000	Total £'000
At 1 April 2018	-	3,605	45,863	557	50,025
Additional provision in the period	3,541	14,991	7,999	-	26,531
Discount unwind	-	-	4,246	-	4,246
Utilisation of provision	-	(3,278)	(6,743)	(286)	(10,307)
At 31 March 2019	**3,541**	**15,318**	**51,365**	**271**	**70,495**
Of which falling due:					
- within one year	3,541	15,318	4,255	271	**23,385**
- subsequently	-	-	47,110	-	**47,110**

The Company is subject to a number of legal claims. Provision has been made for the estimated costs of settlement, based on management's best estimate on a case-by-case basis of the outcomes of settlements, either in or out of court. The provision is expected to be largely utilised within a year. A larger than normal increase in the legal provision is mainly as a result of a change in managements estimates discussed in note 5.

Details of the additional provision in the year for the onerous leases can be found in note 5. As well as in year utilisation of the provision against rental expenditure the provision was revised, and increased, to take account of discount unwind and new estimates.

The defined benefit pension scheme provision represents the Company's estimated future contributions to two defined benefit pension schemes.

24 Provisions (continued)

The Company has conducted a sensitivity analysis on the provision tests for property leases, with results as follows:

• If the forecast terminal cashflows (FY22 and subsequent) across the group were £1.0m per annum lower/higher, prorated across all hospitals, the overall provision would increase/decrease by £0.4m/£0.4m.
• If the pre-tax WACC rate was increased/decreased by 1 percentage point, the overall provision would decrease/increase by £3.5m/£4.0m.
• If the long term growth rate was increased/decreased by 0.25 percentage point, the overall provision would decrease/increase by £1.1m/£1.1m.

25 Share capital

	31 March 2019 Number	31 March 2019 £'000	31 March 2018 Number	31 March 2018 £'000
Authorised, allotted, issued and fully paid				
188 million ordinary shares of £0.20 each	**188,000,000**	**37,600**	88,000,000	17,600

The Company has one class of ordinary shares which carry no right to fixed income.

During the year, the Company allotted 100 million ordinary shares on 13 December 2018. The aggregate nominal value of the shares allotted was £20.0 million and consideration received was £60.1 milllion and therefore a share premium balance of £40.1 million has been recognised.

26 Financial commitments

	31 March 2019 £'000	31 March 2018 £'000
Capital commitments (Fixed assets)		
Contracted for, but not provided for	**8,110**	5,517

Operating lease commitments

The Company has entered into various operating lease agreements in respect of premises and plant and machinery. Leases on properties are contracted for periods between 1 and 125 years. Plant and machinery leases are contracted for periods of between one and seven years.

26 Financial commitments (continued)

The minimum total commitments under non-cancellable operating leases (excluding rental straight-lining adjustments) are as follows:

	Property £'000	Plant and machinery £'000	Total £'000
31 March 2019			
Operating leases which expire:			
- Within one year	107,472	1,272	108,744
- Between one and five years	436,775	3,097	439,872
- After five years	3,100,297	-	3,100,297
	3,644,544	4,369	3,648,913
31 March 2018			
Operating leases which expire:			
- Within one year	162,418	1,918	164,336
- Between one and five years	647,831	303	648,134
- After five years	1,560,103	-	1,560,103
	2,370,352	2,221	2,372,573

The increase is largely as a result of the lease amendments as part of the Transaction. The Transaction included the extension of lease maturity dates to 2051 on Theatre Propco owned properties.

27 Financial instruments

	31 March 2019 £'000	31 March 2018 £'000
The movement in the net inflation rate swap derivative position is as follows:		
At beginning of the period	**49,392**	119,660
Fair value movement to the income statement	**(49,392)**	(70,268)
At end of the period	**-**	49,392

The RPI swap instruments between the Company and the counterparty were fair valued in year to £nil and a gain recognised. As part of the Transaction the instruments were terminated by mutual agreement on 14 December 2018, described in the Strategic report. The gain on the revaluation of the liability has been recognised as an exceptional item (Note 5).

28 Retirement benefit schemes

Defined contribution scheme

The Company operates a defined contribution retirement benefit scheme for all its qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees.

	31 March 2019	31 March 2018
	£'000	£'000
Total contribution costs charged to the income statement in respect of 8,348 (2018: 7,808) members	7,771	11,619

Defined benefit schemes

The Group's defined benefit plan closed to future accruals and members with effect from 31 August 2008. Under the Group's defined benefit scheme when operating, the employees were entitled to retirement benefits of 1/60th of each year's pensionable service on attainment of a retirement age of 65.

A full actuarial valuation was carried out as at 30 September 2015. The present value of the defined benefit obligation and the related current service cost were measured using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. The valuation as at 30 September 2018 is in progress but has not yet been finalised.

	31 March 2019	31 March 2018
	%	%
Key assumptions used are as follows:		
Discount rate	**2.4**	2.6
Future pension increases	**3.2**	3.1
CPI inflation	**2.2**	2.1
RPI inflation	**3.3**	3.2

The overall expected return on assets is calculated as the average of the expected returns on each individual asset class, weighted by the Scheme's exposure to that asset class. The expected return on asset assumption is the same as the discount rate assumption. The actual return on plan assets is 1.4% (2018: -1.4%).

28 Retirement benefit schemes (continued)
Defined benefit schemes (continued)

Mortality rate

Pensioner life expectancy assumed as at 31 March 2019 is based on the S2P tables with scaling factors of 103% for male deferred pensions, 100% for male current pensioners, 91% for female deferred pensioners and for 89% for female current pensioners. Future improvements in longevity are assumed in line with the CMI 2017 projection model with a smoothing factor of 8 and a long term rate of improvement of 1.25% pa. Samples of the ages to which pensioners are assumed to live are as follows:

	31 March 2019	31 March 2018
Life expectancy for male currently aged 65	**87.3**	87.3
Life expectancy for female currently aged 65	**90.1**	90.0
Life expectancy at 65 for male currently aged 45	**88.6**	88.5
Life expectancy at 65 for female currently aged 45	**91.5**	91.4

Present value of obligation	31 March 2019 £'000	31 March 2018 £'000
At beginning of the period	**112,874**	125,227
Interest cost	**2,851**	4,204
Actuarial loss/(gain)	**5,095**	(9,806)
Past service cost	**1,142**	-
Benefit payments	**(6,641)**	(6,751)
At end of the period	**115,321**	112,874

Fair value of scheme assets	31 March 2019 £'000	31 March 2018 £'000
At beginning of the period	**161,953**	170,282
Expected return on scheme assets	**4,135**	5,780
Actuarial gain/(loss)	**3,599**	(8,089)
Employer contributions	**635**	1,272
Benefit payments	**(6,641)**	(6,751)
Administration expenses	**(442)**	(541)
At end of the period	**163,239**	161,953

28 Retirement benefit schemes (continued)
Defined benefit schemes (continued)

The reconciliation to the amount shown on the balance sheet is as follows:

	31 March 2019	31 March 2018
	£'000	£'000
Present value of obligation	(115,321)	(112,874)
Fair value of scheme assets	163,239	161,953
Unrecognised portion of scheme assets	(47,918)	(49,079)
Net surplus recognised	-	-

The net pension charge recognised in the consolidated income statement is as follows:

	31 March 2019	31 March 2018
	£'000	£'000
Administration expenses	(442)	(541)
Interest on net defined benefit liability	11	22
	(431)	(519)

The net amount recognised in reserves is as follows:

	31 March 2019	31 March 2018
	£'000	£'000
Actuarial (loss)/gain on scheme obligations	(4,965)	9,676
Actuarial gain/(loss) on scheme assets	3,394	(8,089)
Movement in unrecognised pension surplus	2,304	(2,340)
Actuarial loss on defined benefit pension schemes	733	(753)
Net effect in reserves arising from movements on future scheme commitment	(733)	753
Current tax	(48)	(145)
Related deferred tax	48	143
	-	(2)

29 Events after the balance sheet date

No subsequent events requiring separate disclosure under IAS 10 were identified after the balance sheet date.

30 Related party transactions

As an indirect subsidiary undertaking of GHG Opco Bidco Limited (consolidated into the financial statements of that group) the Company has taken advantage of the exemption in FRS 101 from disclosing transactions with other members of the group headed by GHG Opco Bidco Limited, provided that each party to the transaction is a wholly-owned subsidiary of the Group.

31 Controlling party

The Company is a subsidiary undertaking of GHG Intermediate Holdings Limited. As at 31 March 2019, the Company's ultimate parent company is Hospital Topco Limited, the ultimate controlling party of Theatre PropCo.

The smallest group into which the results of the company are consolidated is GHG Opco Bidco Limited. The consolidated accounts of GHG Opco Bidco Limited, for the period to 31 March 2019, can be obtained from its registered office and principal place of business at 1st Floor 30 Cannon Street, London, England, EC4M 6XH, United Kingdom. The largest group into which the results of the company are consolidated is Hospital Topco Limited. The consolidated accounts of Hospital Topco Limited, for the period to 31 March 2019, can be obtained from its registered office and principal place of business at Hamilton Centre, Rodney Way, Chelmsford, England, CM1 3BY, United Kingdom.

As a subsidiary undertaking of Opco Bidco Limited at the balance sheet date, the Company has taken advantage of the exemption in FRS 101 from disclosing transactions with other members of the group headed by Opco Bidco Limited.

32 Related undertakings

The Company has investments in the following subsidiary undertakings, associates and other investments.

Name of entity	Principal activity	Country of incorporation	Share class	% interest held
Subsidiary undertakings				
BMI Hospital Decontamination Limited	Provision of decontamination services	United Kingdom	Ordinary shares	100*
GHG 2008 (Unrestricted Subsidiary) Limited	Dormant entity	United Kingdom	Ordinary shares	100*
GHG Healthcare Scotland Limited	Dormant entity	United Kingdom	Ordinary shares	100*
Albyn Hospital Limited	Dormant entity	United Kingdom	Ordinary shares	100
Other significant investments				
Three Shires Hospital LLP	Provision of healthcare	United Kingdom	Ordinary shares	50*
3SH Limited	Provision of healthcare	United Kingdom	Ordinary shares	50*

* Held directly by BMI Healthcare Limited

All subsidiaries have their registered office at BMI Healthcare, 1st Floor 30 Cannon Street, London, England, EC4M 6YN, United Kingdom, except for GHG Healthcare Scotland Limited and Albyn Hospital Limited, which have their registered offices at Ross Hall Hospital, 221 Crookston Road, Glasgow G52 3NQ, United Kingdom.