

## **BMI Healthcare Limited**

**Annual report and financial statements  
for the year ended 31 March 2020**

Registered number: 02164270



# BMI Healthcare Limited

## Report and financial statements Contents

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**Report and financial statements**  
**Officers and auditor**

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**Directors**

Karen Prins  
Henry Davies  
Paul Manning - appointed 18 December 2020  
Paolo Pieri - appointed 18 December 2020

**Registered office**

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

**Auditor**

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

## Strategic report for the year ended 31 March 2020

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The Directors present their Strategic report on the affairs of BMI Healthcare Limited (“the Company”) for the year ended 31 March 2020. The Company is an indirect subsidiary of GHG Healthcare Holdings Limited, whose ultimate parent company is Circle Health Holdings Limited (“Circle”). Circle acquired GHG Healthcare Holdings Limited and its subsidiaries (“the Group”) on 8 January 2020 to become the largest independent hospital group in the UK (together “the Circle Group”). This Strategic report has been prepared for the Group, so as to emphasise those matters significant to the Group and its affiliate undertakings 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 an extensive range of general and specialised medical care services to privately insured, self-pay and National Health Service (“NHS”) funded patients.

As at 31 March 2020, the Company is a borrower and guarantor to the lending banks under the banking senior facilities agreement (“SFA”) of the Circle Group.

### **Corporate Governance Statement (Section 172(1))**

Under section 172 of the Companies Act 2006, Directors of a company have a duty to promote the success of the company. Specifically, it requires the Director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In performing their duties under section 172, the Directors of the Company have had regard to the matters set out in section 172(1) as follows:

#### **a) the likely consequences of any decision in the long term;**

The Board has set long term strategic objectives for the Company focused on:

- clinical quality, patient experience and market leading reputation;
- attracting and retaining the best people;
- digital transformation to enable improved patient pathways, propositions and efficiency; and
- growth.

These pillars form the basis of a five-year plan which is monitored and update periodically. The strategy and plan supports decision making around capital investment and allows the board to forecast funding requirements, debt capacity and financing options that are required to deliver this. As described elsewhere in this report, in January 2020 the Circle Group put in place new facilities, with maturities in 2026 and 2027, as part of the Transaction which will support the Company’s investment plans.

In developing the strategy, the Directors also consider external factors such as the political, economic, regulatory, and competitive environment.

#### **b) the interests of the Company’s employees;**

The Directors understand the importance of the Company’s employees to quality of care provided to patients, and to the long-term success of the business.

There is regular engagement with employees through a National Employee Engagement Forum, weekly staff newsletters, and annual staff surveys. Pay and benefits are assessed against the wider healthcare sector and in 2020 a salary benchmarking and pay review exercise was undertaken to bring clinical and other staff to competitive levels in the market.

**Strategic report  
for the year ended 31 March 2020 (continued)**

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**Corporate Governance Statement (Section 172(1)) (continued)**

**b) the interests of the Company's employees; (continued)**

In 2020, the Circle Group invested c£3m in learning and development for staff and delivered 90,000 online and other courses. Patient safety is at the heart of everything we do and we have trained over four thousand people in care of the deteriorating patient courses and thousands of staff trained to don and doff PPE and wear fit masks as infection prevention and control has been an enormous focus this year. Our Partnership Nursing Associate programme won an award from Student Nursing Times. We trained over eighty people who are involved in clinical audit on the Health Quality Quest clinical audit programme 'Getting it right for patients' supporting continuous quality improvement. Our Senior executives have had bespoke Leading Safely for Executives and our Hospital Directors have undertaken a virtual IOSH programme as we continue to drive health and safety improvements.

**c) the need to foster the Company's business relationships with suppliers, customers and others;**

The Board regularly reviews how the Circle Group maintains positive relationships with all of its stakeholders including patients, consultants, suppliers and others.

Our patient satisfaction surveys are run by an independent third party and show that 98 percent would recommend our hospitals to their friends and family and 96 percent rated the overall quality of care as 'very good' or 'excellent'. The Company also undertakes consultant surveys to gauge the views of the surgeons and other medical consultants practicing in our hospitals. The Board reviews the results of these surveys.

The Circle Group's principal risks and uncertainties set out risks that can impact the long term success of the Circle Group and how these risks interact with our stakeholders. The Directors actively seek information on the interaction with stakeholders to ensure that they have sufficient information to reach appropriate conclusions about the risks face by the Circle Group and how these are reflected within the long-term plans.

**d) the impact of the Company's operations on the community and the environment;**

The Company is partway through a four year £250 million capital investment programme to improve the hospital estate and bring new medical and diagnostic equipment in to the hospitals. The capital project process considers the environmental impact and energy efficiency of programmes of work to monitor and improve this over time.

The Company has achieved year on year improvements in energy efficiency as can be seen in the Energy and Carbon Reporting section of the Directors' Report.

**e) the desirability of the Company maintaining a reputation for high standards of business conduct; and**

As a healthcare provider, the Directors believe that maintaining the reputation of the Company is critical for the future success. Clinical quality and governance is at the heart of the culture of the Company and receives significant focus at Board level.

The Board is committed to high standards of business conduct and details of the governance structures are set out in the Annual Quality Account, available on the BMI Healthcare website.

**f) the need to act fairly as between members of the Company**

Following the Transaction, the Company is now part of the Circle Health Group. The Directors hold meetings with the shareholders of Circle Health Holdings Limited monthly and work together on setting the course for the long term future of the Group.

The shareholders are committed to supporting the Circle Group achieve high standards in clinical quality and business fundamentals to achieve longer term growth and success.

The Company and its board of Directors ("the Board") is committed to and has applied the principles of corporate governance contained in the Wates Corporate Governance Principles for large private companies for the year ended 31 March 2020. Further explanation of how each principle has been applied is set out in the Statement of corporate governance arrangements.

## Strategic report for the year ended 31 March 2020 (continued)

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### Change in ownership

On 24 December 2019, the Company's indirect parent, GHG Tenant 2 Limited, entered into share purchase agreements to sell the Group to Circle Health 4 Limited (a subsidiary of the Circle Health Holdings Limited) (the "Circle Transaction"). The Circle Transaction formally completed on 8 January 2020 and so the Group no longer forms part of the Hospital Topco Group ("the HTL Group").

As part of the Circle Transaction, GHG Opco Bidco's debt was fully repaid on 8 January 2020 and the Company became a borrower and obligor under the new senior facilities entered into by the Circle Group at that date. Further details are given in the Going Concern assessment elsewhere in this report.

As a result of the Circle Transaction the Competition and Markets Authority ("CMA") issued an Initial Enforcement Order (the "Order"), requiring the operational business of Circle and the Group to remain separate until the CMA had reviewed the Circle Transaction. On 23 June 2020 the Order was released as the undertaking by the Circle Group to divest two hospitals was accepted by the CMA.

The principal terms of the Circle Transaction impacting the Group are below:

- The Group received £60.8m by way of a new loan from Circle Group entities to repay amounts due to GHG Opco Bidco Limited, an indirect parent of the Company prior to the Circle Transaction;
- The Company released GHG Tenant 2 Limited, the indirect parent of BMI Healthcare prior to the Circle transaction, from an amount due to the Company of £11.2m;
- The proceeds received by GHG Tenant 2 Limited on the sale of the Group were used to repay the senior facilities of which the Company was previously a borrower and a guarantor;
- The Company and other Group entities acceded as a borrower and/or guarantor to the SFA entered into by the Circle Group as part of the Circle Transaction. The SFA includes a senior term loan of £198m, revolving credit facility of £30m (the "RCF") and a capex facility of £50m, of which £20m was drawn as part of the Circle Transaction.

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

The principal financial KPIs for the Company are hospital caseload (activity), revenue and profit before tax.

#### Operating performance

Overall caseload volumes were 1.1 per cent down year on year (2019: down 2.5 per cent) with a continued shift from inpatient to day case activity across all payers and with performance in the final period of the financial year affected by the Covid-19 pandemic.

The Group ceased certain third-party sales of stock from its warehouse operations during the year. This was low margin activity and had little impact on the net profit, but did reduce revenue by 2.3% per cent year on year.

Overall these changes led to revenue for the Group declining by 5.9 per cent.

In light of the evolving nature of funding mechanisms for private healthcare, the Group continued 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, as well as maximising the synergy benefits available from the combination with the Circle Group.

Continued shortages in skilled nursing and other roles led to increased agency staff cost in the year.

Given the competitive market for clinical staff, the Group has continued to pursue strategies to address this. These include 'Growing our Own' clinical staff through the rollout of clinical training schemes, pay and benefits benchmarking exercises and focus on staff rostering and resource planning to ensure the effective management of our clinical staff resources.

## Strategic report for the year ended 31 March 2020 (continued)

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### Operating performance (continued)

During the period, the Care Quality Commission (CQC) completed reviews of 17 BMI hospitals in England (2019: 11). At the year-end 35 (70 per cent) of the BMI Healthcare hospitals were rated as 'good' (2019: 31 (62 per cent)) and none rated as 'unsatisfactory' (2019: none) by the CQC in England, Healthcare Improvement Scotland or Hospital Inspectorate Wales. The Directors are focused on continual improvement of quality and care in the Group's hospitals and are continuing to invest in the facilities and clinical quality framework to achieve that.

### Financial performance

The adoption of IFRS 16 in the current year using the cumulative catch-up approach does not permit restatement of the comparative figures. Therefore some of the performance metrics have been adjusted to provide comparison on a like-for-like basis. Revenue was at £864 million for the year to 31 March 2020 (£918 million for the year to 31 March 2019) with an operating profit margin (before exceptional items) of 8.8 per cent (negative 1.3 per cent for the year to 31 March 2019).

Following the adoption of IFRS 16 the rental expense only includes short term leases or low value leases and therefore, given the nature of the Group's leases, the rental charge for the year to 31 March 2020 is minimal at £0.2m. In the year ended 31 March 2019, which was prior to adoption of IFRS 16, rental cost was £144.9m. The adoption of IFRS 16 has resulted in an additional depreciation charge on the right of use asset in respect of the Company's leases amounting to £43.9 million. Adjusting the prior year result for these two items would give an operating profit for the year ended 31 March 2019 of £83.8 million, and a consistent margin of 9.1 per cent.

Exceptional items of £13.6 million (£62.6 million for the 12 months to 31 March 2019) recorded within operating loss relate to the following items:

- The Company has incurred £5.7 million of legal and professional fees related to the Circle Transaction as described elsewhere in the Strategic Report.
- The Group closed five sites during the period, three closures having been announced prior to 31 March 2019. As a result, restructuring costs for £1.5 million (2019: £3.5 million) have been recognised including redundancies, closure costs and related property costs required under the leases prior to the leases being surrendered. See note 5 for further details.
- The Company has incurred £3.5m of staff related costs including redundancy in relation to restructuring programmes and other staff related costs.
- Following a transaction that completed in December 2018, the shareholders at the time carried out a strategic review across many key business areas and the cost of this one-time review of £1.8 million. These costs were incurred prior to the Circle Transaction completing in January 2020.

Other exceptional items below operating profit relate to the waiver of an amount due from a previous Group undertaking of £11.2 million as part of the Circle Transaction, as well as an impairment of financial receivable from a previous Group undertaking of £0.3 million.

In the prior period, exceptional items below operating profit included the revaluation of the RPI swap instruments to £nil resulting in a gain of £49.4 million. These RPI swaps worked to fix the annual rental uplifts on a number of property leases to 2.5 percent (the RPI swaps were terminated in December 2018 at the time of the lease amendments. Exceptional items in the prior period also included the revaluation of a £28.0m loan note with Theatre PropCo to £nil (the loan note was subsequently released). In the prior year, interest on a related party receivable (at the time) was also impaired in line with the view that the previously impaired related party receivable was still not deemed recoverable. See note 18 for further details. A non-cash return on investment in GHG Healthcare Scotland Limited (a dormant subsidiary) of £37.0m, as part of the corporate simplification in the prior year, was also recognised in the prior year with a gain of £20.5m representing the amount recovered in excess of the carrying amount of £16.5m of this investment. See notes 6 and 8.

## Strategic report for the year ended 31 March 2020 (continued)

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### Financial performance (continued)

The loss before tax and exceptional items was £30 million (loss of £13.7 million for the year ended 31 March 2019).

The tax charge for the year was £0.1 million (£2.8 million for the year ended 31 March 2019). The resulting net loss after tax for the period was £53.9 million (£14.3 million profit for the year ended 31 March 2019).

### Financial position

The Company's balance sheet as at 31 March 2020 showed equity of £73.7 million, compared with equity of £127.5 million as at 31 March 2019. The loss for the current period (before exceptional items) of £30.0 million includes non-cash charges of depreciation of £43.9 million on the right of use assets of £1,203.0 million and interest of £105.0 million on lease liabilities of £1,264.0 million, in total £148.9 million. If IFRS 16 had not been applied then the rent charge would have been £124.6 million (including £15.3 million straightlining). Therefore the result year on year would have improved by £30.7 million if it were not for the different accounting policies applied in each period. Equity would have been £104.4 million if IFRS 16 had not been applied in the current year. The impact on the income statement over the term of the leases will be the same after adoption of IFRS 16 compared to the application of IAS 17. The presence of long leases therefore presents financial performance and position that is different, and adverse, to the underlying economic basis.

### Covid-19 pandemic

Since March 2020, the Company has been working with the NHS in England, Scotland and Wales to support them in the provision of healthcare to patients across the country and the Group's hospitals have remained open throughout. In the initial phase, this included treatment of Covid-positive patients at some hospitals and providing continuing care for patients requiring urgent treatment including complex cancer surgery, chemotherapy, cardiac care, and diagnostic imaging services. Subsequently, the Group has committed the majority of its hospital capacity to supporting the return to elective surgical and other cases to support the NHS in beginning to clear waiting lists, alongside opening up capacity to treat insured and self-pay patients requiring treatment. Between April and December over four hundred thousand NHS patients attended the Group's hospitals.

Since the start of 2021, the Group has provided increased support to the NHS as the UK has experienced increased pressure on hospital services. This has included treatment cancer and cardiac patients along with increased provision of ITU services.

Activity and revenue levels have returned close to prior year levels over recent months with a significant waiting list of deferred patients requiring treatment.

The Directors and management are monitoring the changing environment and working to ensure continued support and capacity is available for patients.

### Future developments

As a result of the delay to treatments caused by the Covid pandemic and continuing disruption to elective care, the demand for healthcare services over the short and medium term is expected to be strong. The Group's large hospital network, capacity and geographical footprint, means that the Company is well placed to deliver increased diagnostic, surgical and other treatment to patients in all geographies.

Pressures on clinical staffing availability are expected to continue in the medium term resulting in upward cost pressure in this area. The cost of Covid testing of patients and staff as well as increased costs of personal protective equipment ("PPE") have increased costs in the period since March 2020 and this is expected to continue in the short term as a necessary cost to keep our patients and staff safe.

The Circle Transaction provides the Company with continued access to capital, under the Group's borrowing facilities and cash reserves, to continue the investment in the hospitals as well as developing new services to drive growth in key markets.



## Strategic report for the year ended 31 March 2020 (continued)

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### Capital expenditure

The Company continued to invest significant amounts in capital projects. Total capital investment in the year of £44.9 million (£25.7 million for the year ended 31 March 2019) was funded from cash flow with £nil (£0.2 million for the year to 31 March 2019) funded through finance leases. This included £21.5 million across a large number of projects to improve the hospital infrastructure, including a number of hospital refurbishment projects. The Company invested £13.5 million in updating and improving clinical equipment and a further £4.4 million on diagnostic imaging including new digital x-ray at nine hospitals.

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

As part of the Circle Transaction all of GHG Opco Bidco's debt of £85 million (for which the Company was a guarantor) was fully repaid on 8 January 2020. The Company is now a borrower and obligor under the new SFA entered into by the Circle Group in January 2020. The new facilities include a senior term loan of £198m, RCF of £30m and a capex facility commitment of £50m, of which £20m is currently drawn. At 31 March 2020, the Circle Group had £30 million drawn under the RCF and at the date of approval of these financial statements the amount drawn was £nil. The new senior facilities require the Circle Group to comply with certain financial covenants, as is customary under such facilities. Further details are given in the Going Concern assessment elsewhere in this report.

### 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*

On 31 December 2020 the UK and the European union entered into new arrangements following the transition agreement ending on 31 December 2020. The Directors do not consider the new arrangements to have a significant impact on the business however they continue to monitor the new rules in place from 1 January 2021.

#### *NHS commissioning*

The Company generates significant revenue from contracts with the NHS. The approach through which the NHS commissions and funds work, with Trusts and the Independent Sector, has changed during the Covid-19 pandemic period, with direct central commissioning arrangements in England and Wales. Future contracting arrangements will require historical CCG and Trust commissioning of the Independent Sector to be carried out and charged in the context of the national framework launched by NHS England in November 2020. These changes bring operational and financial risk, which the Group aims to mitigate this risk by maintaining good relationships with the NHS, nationally, regionally and locally, as well as participating in industry groups.

#### *Reputational risk*

Reputational risk associated with poor clinical outcomes or patient satisfaction is mitigated by the focus on providing high quality care at the Company's facilities and constantly seeking to improve clinical services.

**Strategic report  
for the year ended 31 March 2020 (continued)****Principal risks and uncertainties (continued)***Price risk*

The Company generally seeks to price contracts at levels that take account of potentially increasing cost pressures and, where appropriate, to establish contract terms that enable revenues to be adjusted as a result of any future increasing pricing levels. For NHS activity, the Company is a 'tariff taker' and so is subject to price impact from changes in the NHS tariff set by NHS Improvement.

*Data protection and cyber risk*

The Company is subject to data protection and cyber risk from cybercrime, IT systems failure and threats to data protection, including data theft. The Group manages these risks through regular meetings of its Information Governance Committee, which has accountability for quality and safety of information and technology systems, assessing risk and performance, making improvement recommendations and advising the Governance Committee and boards of BMI Healthcare and Circle. The Group also employs data protection and information security officers to oversee relevant risks, and carries out periodic testing of certain risks as part of its overall assurance programme.

*Credit risk*

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

The Company'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 Company 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**

As a borrower and guarantor under the Circle Group borrowing facilities, the Company's Going Concern assessment is carried out alongside that of the Circle Group. Management of the Circle Group has 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 of the Company together with the underlying assumptions. The forecasts show that the Circle Group will comply with its financial covenant throughout the forecast period with appropriate headroom. The forecasts also show that the Circle 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 Circle Group and the Company have adequate resources available to them, 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 on 25th February 2021 and signed on behalf of the Board:



Director: Henry Davies

Date: 26th February 2021

## Statement of corporate governance arrangements for the year ended 31 March 2020

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The Company and its board of Directors (“the Board”) is committed to and has applied the principles of corporate governance contained in the Wates Corporate Governance Principles for large private companies for the year ended 31 March 2020. Further explanation of how each principle has been applied is set out below.

As described elsewhere in the Strategic Report, the Group was acquired by Circle Health Group on 8 January 2020 and, as a result, the governance arrangements changed during the year. From 1 April 2019 to 8 January 2020 the Group was part of the governance arrangements of the ultimate controlling party at the time, Hospital Topco Limited, and this was governed by a shareholders agreement that provided the Group with delegated authorities. From 8 January 2020 to the balance sheet date of 31 March 2020 (and subsequently to 23 June 2020) the CMA had issued the Order which prevented the Group from merging its operating and governance activities with the Circle Group and the Group was, therefore, governed by the delegated authorities as set out in the Order. From 23 June 2020 new governance arrangements have been structured for the Circle Group. The disclosures below focus on the governance arrangements within the Group that have been continually in place during the year, except where noted by exception.

### Purpose and leadership

During the period when the Group formed part of the HTL Group there was continuous dialogue between the Group and the shareholders with regular board meetings, audit committee meetings and engagement with the Company’s board of Directors. Subsequent to this period, while the CMA’s Order was in place the communication between the Group and the shareholders was necessarily limited and carried out through the derogations issued pursuant to the Order.

In 2019 the Company embarked on an inclusive project to identify a purpose statement and set of values for the Company. Every member of staff was invited to participate in this project along with patient focus groups, insurers and CCGs in order to gain their thoughts on the employee’s suggested value and purpose options.

We are committed to building a culture which encourages staff to speak up safely. We relaunched our “Raising Concerns at Work” policy and established the role of “Freedom to Speak Up Guardian”. “Freedom to Speak Up” leads were appointed in each hospital and have the support of their local management teams, the Group’s guardian and our Medical Director who has Executive responsibility as our “Freedom to Speak Up” lead.

The Company has various policies to mitigate the risk of conflicts of interest including the conflicts of interest and anti-bribery and corruption policies supported by a mandatory training programme. In addition all healthcare professionals have ethical requirements under their individual professional registrations to conduct themselves in an ethical manner and in the best interests of patients. Where the Group has relationships with medical consultants these are disclosed on the BMI Healthcare website.

There are further examples of how the Board engage with employees within the consideration of how the Directors have considered their duties in relation to s172 b.

### Board composition

The BMI Healthcare board during the financial period comprised of two executive Directors: the CEO and the CFO. In the period to the acquisition by Circle in January 2020, the BMI Healthcare board had regular meetings with the Hospital Topco Limited Board, which included non-executive Directors with previous healthcare experience. Since the release of the CMA Order in June 2020, the BMI Healthcare board has had regular interaction with the Circle Health Holdings Limited board, which includes three executive Directors and five non-executive Directors, all with healthcare experience.

## Statement of corporate governance arrangements for the year ended 31 March 2020 (continued)

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### **Directors' responsibilities**

During the period, the Company had a clearly defined Quality and Assurance Framework which defines the roles of the Executive Committees and sub-Committees. The Board was supported by the Governance Committee, the Operations Committee and Medical Advisory Committee, which report to it. Terms of Reference were established for each of these committees.

The Company is now part of the integrated governance arrangements of the Circle Group.

### **Opportunity and risk**

The Company is part of the Circle Health Holdings Limited Group and alongside other companies in the Circle Group continually seeks opportunity to create value for stakeholders from growth in activity and improvement in financial result, using the existing assets of the Company and through investment in new facilities, equipment and technology. The risks that threaten these opportunities have been described in the Strategic report, and are under active management through the Company's risk management systems.

### **Remuneration**

On any new appointment the board consider the market and remuneration packages are commensurate to the role. Short term incentive arrangements are based on the quality and performance of business. The market conditions are reviewed on a regular basis. BMI Healthcare's Gender Pay Report 2020 is available on the website.

### **Stakeholder relationships and engagement**

There are various mechanisms for information to be collected to inform the Board's view of their impact on stakeholders. Information about patients is obtained from various clinical indicators and patient reported outcome measures (PROMS). The Group monitors its impact on the environment through review of the carbon emissions reporting (see further information on this elsewhere in the Directors' Report).

The Board and Company have regular communications with stakeholders and this is different case by case. The key stakeholders and the specific forum for engagement are listed below:

- Patients – patient feedback forms, complaints management policies, provision of information to Private Healthcare Information Network (PHIN) whose role it is to provide independent information to patients about private healthcare providers
- Regulators – frequent relationship meetings with CQC, HIS and HIW and communication via Independent Healthcare Provider Network (IHPN)
- Employees – National Employee Engagement Forum (NEEF) and annual staff survey (BMI Say)
- Consultants – Medical advisory committees within each hospital (MAC)
- NHS – local relationships with Trusts and CCGs
- Insurers – relationships and regular engagement with the commercial team
- Suppliers – relationships and regular engagement with the procurement team

## **Directors' report for the year ended 31 March 2020**

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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 2020.

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, engagement with employees, suppliers and customers and a statement on going concern have been included in the Statement of Corporate governance arrangements which forms part of the Strategic report and therefore 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 privately insured, self-pay and National Health Service (NHS) funded patients.

### **Dividends**

The Directors do not propose a dividend for the year. As part of the corporate simplification process in the prior period 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.

### **Directors**

The Directors who served throughout the year and up to the date of this report were as follows:

Henry Davies  
Karen Prins  
Paul Manning - appointed 18 December 2020  
Paolo Pieri - appointed 18 December 2020

### **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 42 (2019: 43) 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.

## Directors' report for the year ended 31 March 2020 (continued)

### Engagement with Employees

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 newsletter, and regular emails. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests and a staff survey is completed and reported on each year.

### Engagement with suppliers, customers and others

The Directors have had regard to the need to foster the Company's business relationships with suppliers, customers, and others, and this has had a significant impact on the principal decisions taken by the company during the financial year. For further information please see the Corporate Governance Statement (Section 172(1)) on pages 2-3 of the Strategic Report.

### Energy and carbon reporting

We have reported on all sources of Green House Gas (GHG) emissions and energy usage as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended. This has been compiled in line with the "Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019".

GHG emissions and energy usage date for period 1 April 2019 to 31 March 2020\*

	<b>Tonnes of CO<sub>2</sub>e</b>
Emissions from combustion of gas (Scope 1)	4,733
Emissions from combustion of fuel for transport purposes (Scope 1)	15
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2)	13,237
Coal (industrial) (Scope 1)	851
Other petroleum gas (Calor) (Scope 1)	12
Fuel oil (Generator fuel) (Scope 1)	178
Emissions from business travel in employee owned vehicles where company pays for fuel directly	514
<b>Total</b>	<b>19,540</b>
Energy consumption used to calculate emissions (kwh)	94,168,086
Revenue (£'m)	864.2
<b>Tonnes of CO<sub>2</sub>e per revenue (per £'m)</b>	<b>22.6</b>

*\*Comparative information is not required for the first year in which this information is disclosed*

During the financial year the Company has continued to develop its systems and management approach to reduce its environmental impact. The Health Safety and Environment committee regularly reviews and evaluates opportunities to reduce our environmental impact and related costs. The continued focus remains on the major utilities of electricity, gas, water and wastewater along with the material commodities of both healthcare and general waste management and recycling.

The completion of the Energy Savings Opportunity Scheme (ESOS) reporting Phase 2 was made in December 2019. The Group's capital expenditure plan includes a number of projects expected to drive energy efficiency including, but are not limited to, boiler and heating replacement, lighting replacement and improved insulation and improved building management control and optimisation.

The ESOS reporting and the CRC returns made in the prior year were audited by the Environment Agency as part of an independent review exercise to ensure the data sources and reporting were accurate and met regulation.

Directors' report  
for the year ended 31 March 2020 (continued)

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**Energy and carbon reporting (continued)**

The Environmental management process is broken down into two key management areas: Waste Management including recycling and Utilities Management.

Waste management including recycling elements are covered and monitored by the Regional Health and Safety managers in cooperation with local site Waste Officers and the Utilities elements are managed by the Regional Engineering Managers with local support from environment officers and site engineers. This delegation of responsibilities makes best use of the skillset within the teams.

We have followed the 2019 UK Government environmental reporting guidance and used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019 to calculate these disclosures.

**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.

Approved by the Board of Directors on 25th February 2021 and signed on behalf of the Board:



Director: Henry Davies

Date: 26th February 2021

## Directors' responsibilities statement for the year ended 31 March 2020

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### **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 period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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.

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.



## Independent auditor's report to the members of BMI Healthcare Limited

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### 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 2020 and of its loss 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 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 30.

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

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### **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](http://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**

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

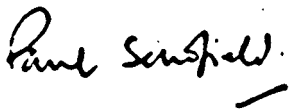
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



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

Date: 26th February 2021

Profit and loss account  
for the year ended 31 March 2020

	Notes	Before exceptional items and fair value movements 2020 £'000	Exceptional items and fair value movements (note 6) 2020 £'000	Total 2020 £'000	Before exceptional items and fair value movements 2019 £'000	Exceptional items and fair value movements (note 6) 2019 £'000	Total 2019 £'000
Revenue	5	863,729	-	863,729	918,149	-	918,149
Cost of services		(585,332)	-	(585,332)	(560,402)	-	(560,402)
<b>Gross profit</b>		278,397	-	278,397	357,747	-	357,747
Administrative expenses		(204,040)	(12,268)	(216,308)	(369,472)	(62,630)	(432,102)
<b>Operating profit/(loss)</b>		74,357	(12,268)	62,089	(11,725)	(62,630)	(74,355)
Interest receivable and similar income	7	1,518	-	1,518	1,914	-	1,914
Other gains and losses	8	634	(11,159)	(10,525)	(165)	97,896	97,731
Interest payable and similar charges	9	(106,517)	(336)	(106,853)	(3,682)	(4,474)	(8,156)
<b>(Loss)/profit before tax</b>	10	(30,008)	(23,763)	(53,771)	(13,658)	30,792	17,134
Tax	12	(100)	-	(100)	(2,808)	-	(2,808)
<b>(Loss)/profit for the period</b>		<u>(30,108)</u>	<u>(23,763)</u>	<u>(53,871)</u>	<u>(16,466)</u>	<u>30,792</u>	<u>14,326</u>

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 2020**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
(Loss)/profit for the period	<b>(53,871)</b>	14,326
<b>Items that will not subsequently be reclassified to profit or loss:</b>		
Actuarial gain/(loss) on scheme obligations	<b>6,484</b>	(4,965)
Actuarial (loss)/gain on scheme assets	<b>(45,492)</b>	3,394
Adjustments for restrictions on the defined benefit asset	<b>39,924</b>	2,304
Actuarial gain on defined benefit pension schemes	<b>916</b>	733
Net effect in reserves arising from movements on future scheme commitment	<b>(916)</b>	(733)
Other comprehensive income for the period	<b>-</b>	-
Total comprehensive (expense)/income for the period	<b>(53,871)</b>	<b>14,326</b>

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

Balance sheet  
as at 31 March 2020

	Notes	2020 £'000	2019 £'000
<b>Non-current assets</b>			
Intangible assets	14	6,339	7,071
Tangible assets	15	1,327,917	154,672
Fixed asset investments	16	1,461	1,461
Debtors - amounts falling due after one year	18	1,734	-
		<u>1,337,451</u>	<u>163,204</u>
<b>Current assets</b>			
Stocks	17	15,954	16,307
Debtors - amounts falling due within one year	18	102,203	120,954
Cash and cash equivalents		54,391	65,765
		<u>172,548</u>	<u>203,026</u>
<b>Creditors - amounts falling due within one year</b>	20	(163,372)	(146,818)
<b>Net current assets</b>		<u>9,176</u>	<u>56,208</u>
<b>Total assets less current liabilities</b>		<u>1,346,627</u>	<u>219,412</u>
<b>Non-current liabilities</b>			
Creditors - amounts falling due after more than one year	20	(1,255,271)	(21,385)
<b>Provision for liabilities and charges</b>	22	(17,695)	(70,495)
<b>Net assets</b>		<u><u>73,661</u></u>	<u><u>127,532</u></u>
<b>Capital and reserves</b>			
Called up share capital	23	37,600	37,600
Share premium		68,834	68,834
Profit and loss account		(32,773)	21,098
<b>Total shareholder's funds</b>		<u><u>73,661</u></u>	<u><u>127,532</u></u>

The financial statements of BMI Healthcare Limited (registered number: 02164270) were approved by the board of Directors and authorised for issue on 25th February 2021.

They were signed on its behalf by:



Director: Henry Davies  
Date: 26th February 2021

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

Statement of changes in equity  
for the year ended 31 March 2020

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
<b>Balance at 1 April 2018</b>	<b>17,600</b>	<b>28,713</b>	<b>1,080,380</b>	<b>1,126,693</b>
Total comprehensive income for the year	-	-	14,326	14,326
Share issue (note 23)	20,000	40,121	-	60,121
Dividends (note 13)	-	-	(1,073,608)	(1,073,608)
	<u>20,000</u>	<u>40,121</u>	<u>(1,059,282)</u>	<u>(999,161)</u>
<b>Balance at 31 March 2019</b>	<b>37,600</b>	<b>68,834</b>	<b>21,098</b>	<b>127,532</b>
Total comprehensive expense for the period	-	-	(53,871)	(53,871)
	<u>-</u>	<u>-</u>	<u>(53,871)</u>	<u>(53,871)</u>
<b>Balance at 31 March 2020</b>	<b>37,600</b>	<b>68,834</b>	<b>(32,773)</b>	<b>73,661</b>

Notes to the financial statements  
for the year ended 31 March 2020

**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 8.

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 consolidated accounts of Hospital Topco Limited (for the period ended 31 March 2020). The consolidated accounts of Hospital Topco Limited are available to the public and can be obtained as set out in note 29. The registered office address of the parent company preparing consolidated accounts is 1st Floor 30 Cannon Street, London, EC4M 6XH, England, United Kingdom.

**2 Adoption of new and revised Standards**

**Impact of initial application of IFRS 16 Leases**

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 April 2019.

The Company has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

**(a) Impact of the new definition of a lease**

The Company has made use of the practical expedient 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 be applied to those leases entered or changed before 1 April 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed 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 significantly change the scope of contracts that meet the definition of a lease for the Company.

**(b) Impact on lessee accounting**

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- (a) Recognises right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss.

Lease incentives (e.g. rent-free periods) are 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 incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within the administrative expenditure line item.



## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 2 Adoption of new and revised Standards (continued)

#### Impact of initial application of IFRS 16 Leases (continued)

##### (b) Impact on lessee accounting (continued)

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

For the details of changes in accounting policies please see note 3.

##### (c) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 April 2019.

##### (d) Impact on lessor accounting

IFRS 16 does not change substantially how a lessor accounts for leases. 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). This change has not resulted in the reclassification of any sub-lease agreements as finance leases.

Because of this change, the Group has reclassified certain of its operating sublease agreements as finance leases and accounted for them as new finance leases entered into at the date of initial application. As required by IFRS 9, an allowance for expected credit losses has been recognised on the finance lease receivables.

The impact for the Company is not material.

##### (e) Financial impact of initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the balance sheet on 1 April 2019 is 8.75%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 March 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the balance sheet at the date of initial application.

#### Impact on retained earnings as at 1 April 2019

	£'000
Operating lease commitments at 31 March 2019	3,706,867
Short-term leases and leases of low-value assets	(943)
Effect of discounting the above amounts	(2,471,049)
Finance lease liabilities recognised under IAS 17 at 31 March 2019	13,715
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	28,862
	<u>1,277,452</u>

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

2 Adoption of new and revised Standards (continued)

Impact of initial application of IFRS 16 Leases (continued)

(e) Financial impact of initial application of IFRS 16 (continued)

The Company has recognised £1,203m of right-of-use assets and £1,264m of lease liabilities upon transition to IFRS 16. The difference of £61m relates to other items that were previously held on the balance sheet in relation to onerous lease provisions, lease incentives, the effect of finance leases previously accounted for as operating leases under IAS 17 for lessor purposes, prepayments and accruals therefore the net impact on retained earnings is £nil.

Amendments to IFRSs that are mandatorily effective for the current period

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9 <i>Prepayment Features with Negative Compensation</i>	The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.
Annual Improvements to IFRS Standards 2015–2017 Cycle <i>IAS 12 Income Taxes</i> and <i>IAS 23 Borrowing Costs</i>	<p>The Company has adopted the amendments included in the <i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> for the first time in the current year. The Annual Improvements include amendments to four Standards, two of which in respect of IFRS 3 and IFRS 11 are not applicable to the Company.</p> <p><i>IAS 12 Income Taxes</i></p> <p>The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.</p> <p><i>IAS 23 Borrowing Costs</i></p> <p>The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.</p>
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	<p>The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:</p> <ul style="list-style-type: none"> <li>• determine whether uncertain tax positions are assessed separately or as a group; and</li> <li>• assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: <ul style="list-style-type: none"> <li>o If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.</li> <li>o If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.</li> </ul> </li> </ul>

3 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 Hospital Topco Limited.

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 3 Significant accounting policies (continued)

#### Basis of accounting (continued)

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 16, 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

As a borrower and guarantor under the Circle Group borrowing facilities, the Company's going concern assessment (up to 31 March 2022) is carried out alongside that of the Circle Group. Management of the Circle Group have prepared financial covenants 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 of the Company together with the underlying assumptions. The forecasts show that the Circle Group will comply with its financial covenant throughout the forecast period with appropriate headroom. The forecasts also show that the Circle Group has sufficient facilities to provide liquidity through the review period.

After making enquiries, including reviewing the forecasts and sensitivities (which include the impact of the Covid-19 pandemic), the Directors have concluded that they have a reasonable expectation that the Circle Group and the Company have adequate resources available to them, to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### 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.

#### 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;
- 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 kept 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 of the contractual fees for services provided, less any contractual discounts. 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.

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

**3 Significant accounting policies (continued)**

**Revenue recognition (continued)**

**Other revenue streams:**

The Company has other revenue streams including administrative fees charged to consultants 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.

**Leases**

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

**Policies applicable from 1 April 2019**

**The Company as lessee**

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as franking machines, water coolers, coffee machines and vehicle hire). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

As the current year was the year of initial application the Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 3 Significant accounting policies (continued)

#### Leases (continued)

#### Policies applicable from 1 April 2019 (continued)

##### *The Company as lessee (continued)*

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the tangible fixed assets line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of tangible and intangible assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the other operating expenditure line item (see note 24).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### *The Company as lessor*

The Company enters into lease agreements as a lessor with respect leased properties where the Company sub-leases to another Group company. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. All leases whereby the company is a lessor have been classified as operating leases, this is consistent with PY. When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Where a contract may include both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

#### Policies applicable prior to 1 April 2019

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.

##### *The Company as lessee*

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.

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

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**3 Significant accounting policies (continued)**

**Leases (continued)**

**Policies applicable prior to 1 April 2019 (continued)**

***The Company as lessee (continued)***

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased 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 over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Retirement benefit costs**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

The Company participates in a group defined benefit scheme which is the legal responsibility of the ultimate parent as the sponsoring employer. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 (Revised 2011), the Company recognises a cost equal to its contribution payable for the period, which is presented within administrative expenses in the profit and loss account.

**Taxation**

The tax expense represents the sum of the tax currently payable and the deferred tax.

***Current 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.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

***Deferred tax***

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.

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 or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 3 Significant accounting policies (continued)

#### Taxation (continued)

##### *Current tax and deferred tax for the year*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### **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.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

#### **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
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#### **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.

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 3 Significant accounting policies (continued)

#### Impairment of tangible and intangible assets (continued)

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.

#### Financial instruments

The accounting policies with reference to financial instruments below reflect both the policy under both IFRS 15 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.

#### 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.



## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 3 Significant accounting policies (continued)

#### Financial instruments (continued)

##### *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.

#### **(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.

##### *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.

#### **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.

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.

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

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**3 Significant accounting policies (continued)**

**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.

**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 6 for further details.

**4 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 3, 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.

**Critical accounting judgements**

*Impairment of assets*

Property, plant and equipment, Right of Use, and other intangible assets are considered for impairment if there is any reason to believe that impairment may be necessary, based on the judgement of management. All hospital fixed assets are allocated into cash-generating units (CGUs), being each individual hospital operation, and tested for impairment, if any indicators of impairment exist. At 31 March 2020, Property, plant and equipment, Right of Use, and other intangible assets were considered for impairment. The Company assessed the recoverable values of each CGU using forecasts of the profitability and the anticipated maintenance capital expenditure for each hospital.

**Key sources of estimation uncertainty**

*Lease accounting*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company. The Company makes adjustments specific to the lease, e.g. term, currency and security. The Company used a range of incremental borrowing rates and applied to each lease based on the specific lease characteristics and the rates range between 6.3% - 9.1%. A 100-basis point increase in the rate would cause the lease liabilities to reduce by £100 million, and the right-of-use assets to reduce by the same amount. A 100-basis point decrease in the rate would cause the lease liabilities to increase by £117 million and the right-of-use assets to increase by the same amount.

*Future cashflows*

The Company tests its fixed assets for impairment when indicators of impairment exist. The recoverable amounts of assets, individual cash-generating units (CGUs) and Companies 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 and 15 for further discussion of the methodology, rationale for selecting these inputs to management's estimations and sensitivity analysis.

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

5 Revenue

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

	Note	2020 £'000	2019 £'000
<b>Continuing operations</b>			
Provision of healthcare services by customer		863,729	918,149
Private medical insurers		431,763	434,439
NHS		241,088	278,551
Self-pay		146,905	137,029
Other		43,973	68,130
		<b>863,729</b>	<b>918,149</b>
Interest receivable and similar income	7	1,518	1,914
Total revenue		<b>865,247</b>	<b>920,063</b>

All revenue is generated in the United Kingdom.

6 Exceptional items and fair value movements

In 2020, the Company's Directors have concluded that certain material exceptional items 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 2020 were:

	Administrative expenses £'000	Other (gains) and losses £'000	Interest payable and similar charges £'000	Total £'000
Non-recurring professional and legal expenses	8,561	-	-	8,561
Site closures	1,539	-	-	1,539
Redundancy and other staff related costs	3,496	-	-	3,496
Impairment reversal of tangible fixed assets at leased	(1,280)	-	-	(1,280)
Impairment reversal of computer software intangible assets at leased hospitals	(47)	-	-	(47)
Waiver of loan note due to related party loss	-	11,159	-	11,159
Impairment of financial receivable from GHG Senior Staff Limited Partnership <sup>1</sup>	-	-	336	336
	<b>12,268</b>	<b>11,159</b>	<b>336</b>	<b>23,763</b>

<sup>1</sup>GHG Senior Staff Limited Partnership was previously classified as a related party as it was within the previous group prior to the Transaction.

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

6 Exceptional items and fair value movements (continued)

The exceptional items charged/(credited) for the year ended 31 March 2019 were:

	Administrative expenses £'000	Other gains £'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
Redundancy and other staff related costs	1,653	-	-	1,653
Corporate simplification	13,785	(20,518)	-	(6,733)
Changes in accounting estimates				
Legal claims provision	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 <sup>1</sup>	-	-	228	228
	<u>62,630</u>	<u>(97,896)</u>	<u>4,474</u>	<u>(30,792)</u>

<sup>1</sup>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 £8.6 million (2019: £17.9 million) of legal and professional fees largely related to the Circle Transaction as described elsewhere in the Strategic Report. This included £2.1 million relating to strategic reviews which were carried out as a result of the transaction.

**Site closures**

The Group closed five sites during the period, three closures having been announced prior to 31 March 2019. As a result, restructuring costs for £1.5 million (2019: £3.5 million) have been recognised including redundancies, closure costs and related property costs required under the leases prior to the leases being surrendered.

**Redundancy and other staff related costs**

The Company has also incurred £0.9m of redundancy costs as a result of a restructuring programme to reduce its operating cost base (2019: £1.7m) and £2.6m of other staff related costs.

**Derecognition of loan note due to related party**

The loan note issued to the Company by its subsequent owner, GHG Tenant 2 Limited, was waived in January 2020 as part of the Transaction. The Company elected to recognise a loss 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 in December 2018. 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 2019 and 31 March 2020. An additional impairment of £0.3m has been applied to the interest income accrued in relation to this financial asset within the year.

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

**7 Interest receivable and similar income**

	2020 £'000	2019 £'000
Bank interest income	193	147
Other interest	565	427
Dividend income	760	1,340
	<b>1,518</b>	<b>1,914</b>

**8 Other gains and losses**

	Note	2020 £'000	2019 £'000
Profit/(loss) on disposal of tangible fixed assets		634	(165)
Fair value gain on derivative financial instruments	25	-	49,392
Gain on return of investment from GHG Healthcare Scotland Limited	6	-	20,518
(Derecognition)/release of loan note due (from)/to related party		(11,159)	27,986
		<b>(10,525)</b>	<b>97,731</b>

**9 Interest payable and similar charges**

	Note	2020 £'000	2019 £'000
Interest on loans from Group undertakings		164	1,007
Impairment of financial receivable	6	336	228
Onerous lease discount unwind		-	4,246
Interest on lease liabilities	20	106,120	-
Other interest		233	2,675
		<b>106,853</b>	<b>8,156</b>

**10 (Loss)/profit for the financial period**

(Loss)/profit for the period has been arrived at after charging/(crediting):

	Note	2020 £'000	2019 £'000
Depreciation of tangible fixed assets	15	71,604	26,939
Impairment of tangible and intangible fixed assets	14, 15	(1,328)	5,976
Loss/(gain) on disposal of fixed assets	14, 15	634	(166)
Amortisation of intangible assets	14	4,778	5,535
Cost of stock recognised as expense		169,531	189,972
Impairment of financial debtor from related party	18	336	228
Provision for site closures	6	1,539	3,541
Other redundancy costs	6	3,496	1,653

At 31 March 2020, the Company is committed to £0.2m for short-term leases.

The total cash outflow for leases during the period amounts to £113.2 million.

**Leases with options to extend or break clauses**

As at 31 March 2020, across the Company's portfolio of leases there are 10 leases with options to extend and four leases with break options. The Company has assessed the likelihood on a lease by lease basis of whether these options would be taken and the lease liability includes cashflows on this basis in line with IFRS 16.

**Leases amendments after 31 March 2020**

On 16 June 2020, 30 leases with a common landlord were amended. The amendment to the lease that requires consideration under IFRS 16 is the amendment to the annual rent review mechanism. The rent is reviewed annually with reference to an index and a fixed minimum uplift, this fixed minimum uplift has been increased by 1 percentage point. The expected cashflows under the lease have not materially changed as a result of this amendment however under IFRS 16 recognition and measurement, this only permits recognition of the fixed uplifts therefore the lease amendment will be assessed in the next financial period to consider any impact on the right of use asset and lease liability.

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

**10 (Loss)/profit for the financial period (continued)**

***Impairment losses recognised in the year***

During the year, as the result of the changes in the Group and the healthcare landscape in the UK, the Company carried out a review of the recoverable amount of all tangible and intangible assets including the right of use assets recognised under IFRS 16. The review led to the recognition of an impairment reversal of £1.3 million (2019: £6.0 million loss), which has been recognised in profit or loss. The fair value less costs of disposal is assessed to be 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 discount rate used in measuring value in use was 10.6 per cent per annum (pre-tax).

<b>Staff costs</b>	<b>Note</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Staff costs (including Directors)			
Wages and salaries		233,600	237,686
Social security costs		20,762	21,552
Net pension cost	26	8,558	7,771
		<u>262,920</u>	<u>267,009</u>

The average number of full-time equivalent employees excluding bank (including executive Directors) during the year was 6,463 (2019: 6,705). The number of employees at the reporting date (including executive Directors) was:

	<b>2020 No.</b>	<b>2019 No.</b>
Executive	3	5
Management	402	414
Professional	2,557	2,655
Enrolled nursing and support	4,742	4,943
	<u>7,704</u>	<u>8,017</u>

**Directors' emoluments**

	<b>2020 £'000</b>	<b>2019 £'000</b>
Directors' remuneration:		
Emoluments	2,911	869
Pension-related payments	68	76
Benefits in kind and other	16	722
	<u>2,995</u>	<u>1,667</u>

During the year two Directors were remunerated by the Company (2019: three). No Directors were members of a money purchase pension scheme (2019: two). Two Directors opted to receive an allowance in lieu of pension contributions (2019: two). Directors' emoluments included £2.1 million of bonus accrued in relation to the completion of the Transaction and in accordance with an agreement with the former shareholders of the Group.

The highest paid Director received £1,527,909 (2019: £452,250) in emoluments and £40,238 (2018: £39,008) in pension-related payments during the period.

During the year, and prior year, no retirement benefits were paid to Directors or past Directors in excess of their entitlement at the date of retirement.

# Notes to the financial statements for the year ended 31 March 2020 (continued)

## 11 Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £293,642 (2019: £301,580).

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

	2020	2019
	£'000	£'000
Current tax:		
- Corporation tax at 19.0% (2019: 19%)	-	2,896
- Adjustments in respect of prior years	100	(40)
	<u>100</u>	<u>2,856</u>
Deferred tax (note 21)	-	(48)
- Origination and reversal of temporary differences	581	527
- Effect of decrease in tax rate	(581)	(575)
	<u>100</u>	<u>2,808</u>

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

	2020	2019
	£'000	£'000
(Loss)/profit before tax	<u>(53,771)</u>	<u>17,134</u>
Tax at the UK corporation tax rate of 19% (2019: 19%)	<u>(10,216)</u>	<u>3,255</u>
Effects of:		
- Income not taxable	(129)	(9,426)
- Expenses not deductible for tax purposes	3,938	5,308
- Tax losses not recognised	6,988	4,286
- Changes in tax rate	(581)	(575)
- Adjustment to tax charge in respect of previous periods	100	(40)
Current tax charge for period	<u>100</u>	<u>2,808</u>

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 12 Tax (continued)

The United Kingdom corporation tax rate decreased to 19% from 1 April 2017 and was due to reduce to 17% from 1 April 2020. However, legislation included in Finance Bill 2020 (published on 19 March 2020) reversed this decision and has set the main rate of corporation tax for the financial years 2020 and 2021 at 19%. As the legislation is considered to be substantively enacted, deferred tax has been provided at the rate of 19%.

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

	2020 £'000	2019 £'000
<b>Current tax</b>		
UK current tax charge on provision for future pension costs movement	-	(48)
<b>Deferred tax</b>		
Arising on income and expenses recognised in other comprehensive income:		
Pension reserve	-	48
Total income tax recognised in other comprehensive income	<u>-</u>	<u>-</u>

### 13 Dividends on equity shares

	2020 £'000	2019 £'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	<u>-</u>	<u>1,073,608</u>

In the prior year, as part of the corporate simplification process described in the prior year 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.

The Directors do not propose a dividend for the year (2019: £1,073.6 million).



# Notes to the financial statements for the year ended 31 March 2020 (continued)

## 14 Intangible assets

	<b>Computer software £'000</b>
<b>Cost</b>	
<i>At 1 April 2019</i>	29,761
Additions	568
Disposals	(10,052)
Transfers from tangible fixed assets	3,595
<b>At 31 March 2020</b>	<b>23,872</b>
<b>Amortisation and impairments</b>	
<i>At 1 April 2019 on adoption of IFRS 16</i>	(22,690)
Charge for the period	(4,778)
Impairment reversal	47
Disposals	9,888
<b>At 31 March 2020</b>	<b>(17,533)</b>
<b>Carrying amount</b>	
<b>At 31 March 2020</b>	<b>6,339</b>
<b>At 31 March 2019</b>	<b>7,071</b>

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 10.6% per annum (pre-tax) (2019: 11.3%). 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 reversal of £0.1m (2019: £0.02 million loss), which has been recognised in profit or loss.

Refer to note 6 for further details of these impairments. Sensitivity analysis of this impairment has been performed alongside tangible assets and details can be seen in note 15.

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

15 Tangible fixed assets

	Right-of-use assets					
	Freehold and leasehold improvements £'000	Plant and equipment £'000	Capital work in progress £'000	Leasehold buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>						
At 1 April 2019 on adoption of IFRS 16	156,490	330,394	5,970	1,203,178	24,323	1,720,354
Additions	18,361	19,046	6,990	-	983	45,380
Disposals	(9,460)	(13,788)	(19)	-	-	(23,267)
Transfers to intangible assets	2,441	1,092	(7,128)	-	-	(3,595)
At 31 March 2020	<u>167,832</u>	<u>336,744</u>	<u>5,813</u>	<u>1,203,178</u>	<u>25,306</u>	<u>1,738,872</u>
<b>Accumulated depreciation and impairment</b>						
At 1 April 2019 on adoption of IFRS 16	(72,660)	(277,839)	(1,398)	-	(10,457)	(362,354)
Charge for the year	(9,060)	(13,322)	-	(43,157)	(6,065)	(71,604)
Impairment loss	7,557	9,190	1,432	(16,898)	-	1,280
Disposals	9,384	12,337	-	-	-	21,721
Transfers from intangible assets	4	(4)	-	-	-	-
At 31 March 2020	<u>(64,775)</u>	<u>(269,638)</u>	<u>34</u>	<u>(60,056)</u>	<u>(16,522)</u>	<u>(410,956)</u>
<b>Carrying amount</b>						
At 31 March 2020	<u>103,057</u>	<u>67,106</u>	<u>5,847</u>	<u>1,143,122</u>	<u>8,784</u>	<u>1,327,917</u>
At 31 March 2019	<u>83,830</u>	<u>66,270</u>	<u>4,572</u>	<u>-</u>	<u>-</u>	<u>154,672</u>

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 £8.4m (2019: £13.0m).

A total of £44.4m (2019: £24.3m) of additions to property, plant and equipment were made during the year, of which £nil (2019: £0.2m) was funded through finance leases during the year. All assets funded through finance leases were classified as plant and equipment.

A total of £7.1m (2019: £4.2m) of capital work in progress was transferred to intangible assets during the year. This represents computer software that was completed during the year.

The cashflow forecasts used in the prior year impairment reviews were reviewed against actual performance. 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 10.6% per annum (pre-tax) (2019: 11.3%). 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 reversal of £1.3m (2019: £6.0m loss), which has been recognised in profit or loss.

Refer to note 6 for further details of these impairments.

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 15 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 (FY25 and subsequent) across the group were £1.0m per annum lower/higher, prorated across all hospitals, the overall impairment would increase/decrease by £0.4m/£0.4m.
- If the pre-tax WACC rate was increased/decreased by 0.5 percentage point, the overall impairment would increase/decrease by £4.3m/£3.6m.
- If the long term growth rate was increased/decreased by 0.25 percentage point, the overall impairment would decrease/increase by £1.5m/£1.7m.

#### Right-of-use assets

The Company leases several assets including property and medical equipment. The average lease term is 20 years.

The Company has options to purchase certain medical equipment for a nominal amount at the end of a 12 month initial lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

The current year was the first year that IFRS 16 was implemented and therefore right of use assets were nil in the prior year and all right of use assets in the current year and assets that were previously accounted for as finance leases under IAS17 relate to IFRS 16 capitalised leases.

### 16 Fixed asset investments

	2020 £'000	2019 £'000
Fixed asset investments comprise the following:		
Subsidiary undertakings	1,461	1,461
	<u>1,461</u>	<u>1,461</u>

A full listing of subsidiary undertakings and other significant investments is included at note 30 and contains further details including the address for the registered office.

At 31 March 2020, the investments were assessed for impairment and none was noted.

### 17 Stocks

	2020 £'000	2019 £'000
Medical and pharmaceutical merchandise and other consumables:		
Cost	18,641	20,154
Provision	<u>(2,687)</u>	<u>(3,847)</u>
	<u>15,954</u>	<u>16,307</u>

### 18 Debtors

	2020 £'000	2019 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors net of loss allowance	66,591	73,052
Corporation tax	797	2,696
Amounts owed by fellow Group undertakings and associates	14,481	13,597
Finance lease receivable	282	-
Other debtors	7,994	15,159
Prepayments and accrued income	12,058	16,450
	<u>102,203</u>	<u>120,954</u>

For trade debtors, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit loss ("ECL"). The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

**18 Debtors (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 (2019: 7.7%) is charged on this loan. As at 31 March 2019 and 31 March 2020 the directors assessed the recoverability to be £nil and an additional impairment of £0.3m has been applied to the interest charge in the current year. See note 6.

	2020 £'000
<b>Amounts falling due after more than one year:</b>	
Finance lease receivable	<u>1,734</u>

**(a) Analysis of finance lease receivable**

	2020 £'000
<b>Undiscounted lease payments analysed as:</b>	
Recoverable after 12 months	2,290
Recoverable within 12 months	337
<b>Net investment in the lease analysed as:</b>	
Recoverable after 12 months	1,734
Recoverable within 12 months	282

During the year, the finance lease receivable increased as a result of first time adoption of IFRS 16.

The Group entered into finance leasing arrangements as a lessor for property. The property is necessary for the provision of medical care services by the Group. The average term of finance leases entered into is 97 years. Generally, these lease contracts do not include extension or early termination options.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in GBP.

	31 March 2020 £'000
<b>Amounts receivable under finance lease</b>	
Year 1	337
Year 2	247
Year 3	247
Year 4	247
Year 5	247
Onwards	<u>1,302</u>
	2,627
Less: unearned finance income	(611)
	<u><u>2,016</u></u>

**Impairment of finance lease receivable**

The directors of the Company estimate the loss allowance on finance lease receivable at the end of the reporting period at an amount equal to lifetime ECL. The finance lease receivable at the end of the reporting period is not past due, and taking into account the historical default experience and the future prospects of the industry in which the lessee operates, the directors of the Company consider that the finance lease receivable is not impaired.

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

**19 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 from and billings to patients in advance of services provided and costs incurred and warranties on services performed. Advance payments and billings are typically associated with self pay patients. All contract liabilities are current.

All balances shown below are included in note 18, trade debtors.

	2020 £'000	2019 £'000
Unbilled revenue	5,533	13,997
Advance payments on self pay patients	(3,036)	(6,605)
	<u>2,497</u>	<u>7,392</u>

The contract asset balance shown is gross of any impairment losses. Impairment losses for trade debtors are calculated using a methodology considering 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 18.

**20 Creditors**

	2020 £'000	2019 £'000
<b>Amounts falling due within one year:</b>		
Trade creditors	64,937	63,900
Amounts due to fellow Group undertakings	22,198	1,693
Other payables	12,689	13,813
Tax and social security	6,794	6,890
Accruals	47,221	55,389
Lease liabilities *	9,533	-
Obligations under finance leases **	-	5,133
	<u>163,372</u>	<u>146,818</u>

\* The lines indicated are in respect of the application of IFRS 16 in the current year only.

\*\* The lines indicated are in respect of the IAS 17 comparatives only.

The intercompany balances are interest free and repayable on demand.

	2020 £'000	2019 £'000
<b>Amounts falling due after more than one year</b>		
Amounts due to fellow Group undertakings	-	-
Straight-lining lease liability	-	12,803
Lease liabilities *	1,255,271	-
Obligations under finance leases **	-	8,582
	<u>1,255,271</u>	<u>21,385</u>

\* The lines indicated are in respect of the application of IFRS 16 in the current year only.

\*\* The lines indicated are in respect of the IAS 17 comparatives only.

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

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

**20 Creditors (continued)**
**(a) Straight-line lease liability**

	2020 £'000	2019 £'000
The movement on the straight-line lease liability is as follows:		
At 1 April 2019 on adoption of IFRS 16	-	5,886
Charge to profit and loss	-	6,917
At end of the period	<u>-</u>	<u>12,803</u>

**(b) Analysis of lease liabilities**

	2020 £'000	2019 £'000
<b>Amount due for settlement:</b>		
Between one and five years	42,145	8,009
After five years	1,213,126	573
	<u>1,255,271</u>	<u>8,582</u>
On demand or within one year	9,533	5,133
	<u><b>1,264,804</b></u>	<u><b>13,715</b></u>

	2019 £'000
<b>Amounts payable under finance leases:</b>	
Within one year	6,089
In the second to fifth years inclusive	9,334
Less: future finance charges	(1,708)
Present value of lease obligations	<u><b>13,715</b></u>

The Company leased certain of its property, plant and equipment under finance leases. For the year ended 31 March 2019, the average effective borrowing rate was 7.91%. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

The Company's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 15.

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 21 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 April 2018	(12,867)	(175)	(48)	34,167	(21,077)	-
Charge/(credit) 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)
At 31 March 2019	(10,918)	(152)	-	29,230	(18,160)	-
(Credit)/charge to profit or loss	(1,829)	(90)	-	(4,936)	7,436	581
Effect of tax rate changes: - income statement	(1,221)	(22)	-	2,858	(2,196)	(581)
At 31 March 2020	<u>(13,968)</u>	<u>(264)</u>	<u>-</u>	<u>27,152</u>	<u>(12,920)</u>	<u>-</u>

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:

	2020 £'000	2019 £'000
Deferred tax liabilities	27,152	29,230
Deferred tax assets	<u>(27,152)</u>	<u>(29,230)</u>

At the balance sheet date the Company has unused tax losses of £279m (2019: £285m) available for offset against future profits. A deferred tax asset has been recognised for £68m (2019: £107m) of these losses. No deferred tax asset has been recognised for the remaining £211m (2019: £178m) as the directors do not have sufficient certainty regarding the future taxable profits available to utilise the losses. Losses may be carried forward indefinitely.

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

**22 Provisions**

	Site closure related provision £'000	Provision for legal claims £'000	Property- related provision £'000	Future pension commitments £'000	Total £'000
At 1 April 2019	3,541	15,318	51,365	271	70,495
Additional provision in the period	111	5,280	-	-	5,391
Utilisation of provision	(3,207)	(3,565)	(51,365)	(54)	(58,191)
At 31 March 2020	<u>445</u>	<u>17,033</u>	<u>-</u>	<u>217</u>	<u>17,695</u>
Of which falling due:					
- within one year	445	17,033	-	36	17,514
- subsequently	-	-	-	181	181

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

**23 Share capital**

	2020 Number	2020 £'000	2019 Number	2019 £'000
<b>Authorised, allotted, issued and fully paid</b>				
188 million ordinary shares of £0.20 each	<u>188,000,000</u>	<u>37,600</u>	<u>188,000,000</u>	<u>37,600</u>

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

During the year ended 31 March 2019, the Company allotted 100 million ordinary shares. The aggregate nominal value of the shares allotted was £20.0 million and consideration received was £60.1 million, therefore a share premium balance of £40.1 million was recognised.

**24 Financial commitments**

	2020 £'000	2019 £'000
<b>Capital commitments (Fixed assets)</b>		
Contracted for, but not provided for	<u>6,289</u>	<u>8,110</u>



# Notes to the financial statements for the year ended 31 March 2020 (continued)

## 24 Financial commitments (continued)

### The Company as lessor

#### Disclosure required by IFRS 16

The accounting by lessors for operating leases is largely unchanged from IAS 17 with no modifications in FY20.

Maturity analysis of operating lease payments:

	2020 £'000
Year 1	118
Year 2	94
Year 3	47
Year 4	-
Year 5	-
Year 6 and onwards	-
Total	<u>259</u>

#### Disclosure required by IAS 17

During the year to 31 March 2019 there was no property rental income or rental expense disclosed in the financial statements where the Company was a lessor on sub-leases with a Group undertaking. However on transition to IFRS 16 the rental income has been recognised under lessor accounting and the lease liability has been recognised under lessee accounting for some sub-leases with a Group undertaking.

### The Company as lessee

#### Disclosure required by IAS 17

	2019 £'000
Lease payments under operating leases recognised as an expense in the year	<u>156,066</u>

At the reporting date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 (*) £'000
Within one year	108,744
In the second to fifth years inclusive	439,872
After five years	3,158,251
	<u>3,706,867</u>

(\*) On the adoption of IFRS 16 in the current period, it was identified that prior period operating lease commitments disclosed had been incorrectly calculated. This has been corrected and the impact of this disclosure restatement is shown below:

	Previously reported	Adjustment	Restated
Within one year	108,744	-	108,744
In the second to fifth years inclusive	439,872	-	439,872
After five years	3,100,297	57,954	3,158,251
	<u>3,648,913</u>	<u>57,954</u>	<u>3,706,867</u>

At 31 March 2019 operating lease payments represent rentals payable by the Company for property pertaining to hospitals sites and offices. The average remaining term of the leases is 25 years with some leases having an option to extend for a further number of years, this option varies lease by lease. A significant amount of the lease portfolio includes rentals that are subject to an uplift annually linked to an inflation index.

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

25 Financial instruments

	2020 £'000	2019 £'000
The movement in the net inflation rate swap derivative position is as follows:		
At beginning of the period	-	49,392
Fair value movement to the income statement	-	(49,392)
At end of the period	<u>-</u>	<u>-</u>

No RPI swap instruments existed in the year ended 31 March 2020. The previous RPI swap instruments were terminated by mutual agreement on 14 December 2018, described in the prior year financial statements.

26 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.

	2020 £'000	2019 £'000
Total contribution costs charged to the income statement in respect of 8,943 (2019: 8,348) members	<u>8,558</u>	<u>7,771</u>

**Defined benefit schemes**

The Company sponsors a funded defined benefit pension plan for qualifying UK employees, General Healthcare Group Limited Pension and Life Assurance Plan. The Plan is administered by GHG (DB) Pension Trustees Limited, an independent trustee. The Trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for the investment policy for the assets and the day-to-day administration of the benefits.

The Group's defined benefit plan closed to future accruals and members with effect from 31 August 2008. Under the Plan, employees are entitled to annual pensions on retirement at age 65 for each year of service. The level of benefits accrued by members is based on the length of their Pensionable Service and their Pensionable Salaries at the earlier of the date on which they left the Plan or the date at which the Plan closed to the future accrual of benefits.

A full actuarial valuation was carried out as at 30 September 2018. 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.

During the year the Trustees used the scheme assets to procure a bulk annuity to cover the current and future pension liabilities (Buy In).

**Profile of the plan**

The Defined Benefit Obligation (DBO) includes benefits for former employees and current pensioners. Broadly, about 62% of the liabilities are attributable to deferred pensioners and 38% to current pensioners. The Plan duration is an indicator of the weighted-average time until benefit payments are made. For the Plan as a whole, the duration is approximately 16 years.

**Risks associated with the plan**

The Trustees used the assets of the scheme to purchase a bulk annuity to cover the liabilities of the Plan. As such, many of the risks it was previously exposed to are removed as the annuity provider is contractually obliged to fund members' benefits in the future. However, the Trustee still retains the legal responsibility to pay members' benefits to each individual member.

**Funding requirements**

UK legislation requires a certain level of funding. The last funding valuation of the Plan was carried out by a qualified actuary as at 30 September 2018 and showed a surplus of £21.0 million. Now that the buy-in is complete, the Company is no longer paying deficit contributions. The Plan is expected to transition to buy-out in the near future. The Company has not recognised the surplus as it does not have an unconditional right to derive value from it. The agreement of the Plan Trustees would be required for the Company to recover the surplus.

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

**26 Retirement benefit schemes (continued)**  
**Defined benefit schemes (continued)**

*Reporting at 31 March 2020*

The results of the latest funding valuation at 30 September 2018 have been adjusted to the new balance sheet date, taking account of experience over the period since 30 September 2018, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation, and the related current service cost, were measured using the projected unit credit method.

The principal assumptions used to calculate the liabilities under IAS 19 are as follows:

	2020 %	2019 %
Discount rate	2.3	2.4
Future pension increases	2.7	3.2
CPI inflation	1.9	2.2
RPI inflation	2.7	3.3

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 1.3% (2019: 1.4%).

*Mortality rate*

Pensioner life expectancy assumed as at 31 March 2020 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 2018 projection model with a smoothing factor of 7 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:

	2020	2019
Life expectancy for male currently aged 65	86.5	87.3
Life expectancy for female currently aged 65	89.4	90.1
Life expectancy at 65 for male currently aged 45	87.7	88.6
Life expectancy at 65 for female currently aged 45	90.7	91.5

*Sensitivity to key assumptions*

The key assumptions used for IAS 19 are: discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results you disclose. The sensitivity of the results to these assumptions is set out below.

	Change	New value
<b>Following a 0.25% decrease in the discount rate:</b>		
DBO at 31 March 2020	3,952	110,091
Surplus/(deficit) at 31 March 2020	-	9,144
<b>Following a 0.25% increase in the inflation assumption:</b>		
DBO at 31 March 2020	2,603	108,743
Surplus/(deficit) at 31 March 2020	-	9,144
<b>Following a one year increase in life expectancy:</b>		
DBO at 31 March 2020	4,735	110,874
Surplus/(deficit) at 31 March 2020	-	9,144

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

26 Retirement benefit schemes (continued)  
Defined benefit schemes (continued)

<i>Present value of obligation</i>	2020 £'000	2019 £'000
At beginning of the period	115,321	112,874
Interest cost	2,703	2,851
Actuarial (gain)/loss	(6,484)	5,095
Past service cost	-	1,142
Benefit payments	(5,400)	(6,641)
At end of the period	<u>106,140</u>	<u>115,321</u>
<i>Fair value of scheme assets</i>	2020 £'000	2019 £'000
At beginning of the period	163,239	161,953
Expected return on scheme assets	3,855	4,135
Actuarial (loss)/gain	(45,492)	3,599
Employer contributions	203	635
Benefit payments	(5,400)	(6,641)
Administration expenses	(1,121)	(442)
At end of the period	<u>115,284</u>	<u>163,239</u>
<i>Asset classes of scheme assets</i>		

The Plan assets are invested in the following asset classes. All assets have a quoted market value in an active market. None of the assets are invested in the Company's financial instruments or in property occupied by, or other assets used by, the Company.

During the year, the Trustees used the assets of the scheme to purchase a bulk annuity to cover the liabilities of the Plan. Therefore the scheme assets now comprise the annuity contract which is held at a value equal to the actuarial valuation of the scheme liabilities. The surplus is held in cash instruments.

	2020 £'000	2019 £'000
Growth assets	-	29,112
Debt instruments + Equity overlay/synthetic gifts	-	103,023
Cash instruments + sterling liquidity	9,144	-
Diversified growth fund + equity overlay/synthetic gifts	-	30,594
Other (cash at bank)	-	510
Annuity contract	106,140	-
At end of the period	<u>115,284</u>	<u>163,239</u>

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

	2020 £'000	2019 £'000
Present value of obligation	(106,140)	(115,321)
Fair value of scheme assets	115,284	163,239
Unrecognised portion of scheme assets	(9,144)	(47,918)
Net surplus recognised	<u>-</u>	<u>-</u>

Notes to the financial statements  
for the year ended 31 March 2020 (continued)

**26 Retirement benefit schemes (continued)**  
**Defined benefit schemes (continued)**

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

	2020 £'000	2019 £'000
Administration expenses	(1,121)	(442)
Interest on net defined benefit liability	2	11
	<u>(1,119)</u>	<u>(431)</u>

The net amount recognised in reserves is as follows:

	2020 £'000	2019 £'000
Actuarial gain/(loss) on scheme obligations	6,484	(4,965)
Actuarial (loss)/gain on scheme assets	(45,492)	3,394
Movement in unrecognised pension surplus	<u>39,924</u>	<u>2,304</u>
Actuarial loss on defined benefit pension schemes	916	733
Net effect in reserves arising from movements on future scheme commitment	(916)	(733)
Current tax	-	(48)
Related deferred tax	-	48
	<u>-</u>	<u>-</u>

**Analysis of gains/losses**

Overall there was a total actuarial loss of £39.0 million during the year. This can be broken down as follows:

Financial assumptions resulted in a gain of £3.8 million, mainly due to the decrease in the RPI inflation and related inflation-linked increases. Demographic assumptions resulted in a gain of £3.7 million, mainly due to changes in the mortality assumption, in particular updating the CMI mortality projection model. DBO experience resulted in a loss of £1.0 million, mainly due to moving to the initial results of the 30 September 2018 funding valuation as the basis for the accounting valuation. During the year, the Trustees used the assets of the scheme to purchase a bulk annuity to cover the liabilities of the Plan. Therefore the scheme assets now comprise the annuity contract which is held at a value equal to the actuarial valuation of the scheme liabilities. This resulted in a change from the previous valuation basis and shows an actuarial loss of £45.5 million.

## Notes to the financial statements for the year ended 31 March 2020 (continued)

### 27 Events after the balance sheet date

No subsequent events requiring separate disclosure under IAS 10 were identified after the balance sheet date. Management has acknowledged and put steps in place to mitigate the impact of the Covid-19 pandemic (for more information please refer to page 6 of the Strategic Report).

### 28 Related party transactions

During the period to 7 January 2020 the Company was consolidated into Hospital Topco Limited. The Company has taken advantage of the exemption in FRS 101 from disclosing transactions with other members of the Group headed by Hospital Topco Limited, provided that each party to the transaction is a wholly-owned subsidiary of the Group.

### 29 Controlling party

The Company is a subsidiary undertaking of GHG Intermediate Holdings Limited.

Up to 7 January 2020, the smallest and largest group into which the results of the company were consolidated was Hospital Topco Limited. The consolidated accounts for Hospital Topco Limited, for the period to 31 March 2020, can be obtained from its registered office and principal place of business at 12 Times Court Retreat Road, Richmond, England, TW9 1AF.

From 8 January 2020, the ultimate parent company and controlling party is Circle Health Holdings Limited.

As a subsidiary undertaking of Circle Health Holdings 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 Circle Health Holdings Limited.

### 30 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
<i>Subsidiary undertakings</i>				
BMI Hospital Decontamination Limited	Provision of decontamination services	United Kingdom	Ordinary shares	100*
<i>Other significant investments</i>				
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 6XH, United Kingdom.