

EAST KENT MEDICAL SERVICES LIMITED

Financial Statements

For the year ended 31 March 2012



Company Registration Number: 03130118

EAST KENT MEDICAL SERVICES LIMITED
Financial statements for the year ended 31 March 2012

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EAST KENT MEDICAL SERVICES LIMITED

Directors, officers and advisers

Directors

D Daw
I Stephen
L Barker
C Holme
D A Osborne

Secretary and registered office

C Holme
The Spencer Wing
Ramsgate Road
Margate
Kent CT9 4BG

Registered number

03130118

Principal place of business

The Spencer Wing
The Queen Elizabeth The Queen Mother Hospital
Ramsgate Road
Margate
Kent CT9 4BG

Auditors

Day, Smith & Hunter
Globe House
Eclipse Park
Sittingbourne Road
Maidstone
Kent ME14 3EN

EAST KENT MEDICAL SERVICES LIMITED
Directors' report for the year ended 31 March 2012

The directors present their report and the financial statements of the company for the year ended 31 March 2012

Principal activity

The principal activity of the company is the operation and management of a private hospital located in the grounds of an NHS hospital in Margate, Kent

Review of the business

This business review forms part of the directors' report. Its function is to provide a balanced and comprehensive review of the company's performance and development during the year and its position at the year end. The review also covers the principal risks and uncertainties faced by the company.

Development and performance of the company

Turnover has reduced this year by 19 per cent to £9,888,688. The directors consider the profit on ordinary activities before taxation to be acceptable in the light of difficult trading conditions.

Principal risks and uncertainties

The company maintains close links with its major customers and provides added value services to manage risk from potential competition.

Key performance indicators

The KPIs used to determine the progress and performance of the company are set out below.

Operating profit

The company's operating profit of £7,008 (2011: £230,317) was deemed to be satisfactory.

Patient admissions

Patient admissions at 3,698 (2011: 3,764) showed an encouraging position.

Outpatient attendances

Outpatient attendances at 19,086 (2011: 20,445) were also encouraging.

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 11.

Financial Instruments

The company's principal financial instruments comprise trade debtor balances, bank balances, loans and trade creditors. The main purpose of these instruments is to raise funds for and to finance the company's operations.

Trade debtor and trade creditor liquidity risks are managed by ensuring credit terms are adhered to and liquid funds are available when needed.

Loans are managed to ensure liquid funds are available to meet cash flow needs.

EAST KENT MEDICAL SERVICES LIMITED

Directors' report for the year ended 31 March 2012 (continued)

Results and dividends

The results for the year are shown on the profit and loss account on page 7. The loss for the year after taxation was £1,082 (2011: £117,802 profit).

No dividends were paid during the year.

Directors

The directors who served during the year were:

D A Davies (resigned 23 January 2012)

D Daw

I Stephen

L Barker

C Holme (appointed 12 September 2011)

S H Parker (resigned 21 April 2011)

D A Osborne (appointed 15 March 2012)

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- 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.

Fixed assets

The movements in fixed assets are disclosed in note 9 to the financial statements.

Disclosure of information to auditors

To the knowledge and belief of the directors, there is no relevant information that the company's auditors are not aware of, and the directors have taken all the steps necessary to ensure the directors are aware of any relevant information, and to establish that the company's auditors are aware of the information.

EAST KENT MEDICAL SERVICES LIMITED

Directors' report for the year ended 31 March 2012 (continued)

Auditors

A resolution to reappoint Day, Smith & Hunter as auditors of the company will be proposed at the forthcoming annual general meeting

Signed on behalf of the board

C HOLME
Company secretary



Approved by the Board on 21.11.2012

EAST KENT MEDICAL SERVICES LIMITED

Independent auditors' report to the members of East Kent Medical Services Limited

We have audited the financial statements of East Kent Medical Services Limited for the year ended 31 March 2012 which are set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and applicable accounting standards (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

EAST KENT MEDICAL SERVICES LIMITED

Independent auditors' report to the members of East Kent Medical Services Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Roy Coates (Senior Statutory Auditor)
for and on behalf of Day, Smith & Hunter, Statutory Auditor
Statutory Auditors and
Chartered Accountants

Globe House
Eclipse Park
Sittingbourne Road
Maidstone
Kent ME14 3EN

EAST KENT MEDICAL SERVICES LIMITED
Profit and loss account for the year ended 31 March 2012

	Notes	2012	2011
		£	£
Turnover	2	9,888,688	12,253,429
Cost of sales		9,072,658	11,123,817
Gross profit		816,030	1,129,612
Administrative expenses		814,492	902,404
Other operating income		5,470	3,109
		809,022	899,295
Operating profit	3	7,008	230,317
Other interest receivable and similar income		1,378	1,413
Interest payable and similar charges	6	(5,398)	(94,131)
Profit on ordinary activities before taxation		2,988	137,599
Taxation on profit on ordinary activities	7	4,070	19,797
(Loss)/profit for the financial year	15	(1,082)	117,802

None of the company's activities was acquired or discontinued during the above two periods

The notes on pages 10 to 16 form part of these financial statements

EAST KENT MEDICAL SERVICES LIMITED**Note of historical costs profit and losses
for the year ended 31 March 2012**

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		<u>£</u>	<u>£</u>
Reported profit on ordinary activities before taxation		2,988	137,599
Difference between a historical cost depreciation charge and the actual depreciation charge on the revalued amount		<u>37,896</u>	<u>37,896</u>
Historical cost profit on ordinary activities before taxation		<u>40,884</u>	<u>175,495</u>
Historical cost profit for the year retained after taxation and dividends		<u>36,814</u>	<u>155,698</u>

EAST KENT MEDICAL SERVICES LIMITED

Balance sheet at 31 March 2012

	Notes	2012		2011	
		£	£	£	£
Fixed assets					
Tangible assets	9		2,968,731		3,089,688
Current assets					
Debtors	10	2,954,469		3,338,621	
Cash at bank and in hand		126,854		309,012	
		3,081,323		3,647,633	
Creditors amounts falling due within one year	11	(3,534,068)		(4,074,135)	
Net current liabilities			(452,745)		(426,502)
Total assets less current liabilities			2,515,986		2,663,186
Creditors amounts falling due after more than one year	12		(888,459)		(1,038,647)
Provision for liabilities	13		(110,703)		(106,633)
Net assets			1,516,824		1,517,906
Capital and reserves					
Called up share capital	14		560,000		560,000
Revaluation reserve	15		491,921		529,817
Profit and loss account	15		464,903		428,089
Shareholders' funds	16		1,516,824		1,517,906

Approved by the board of directors on 21.11.2012 and signed on its behalf



C Holme - Director

Company Registration Number 03130118

The notes on pages 10 to 16 form part of these financial statements

EAST KENT MEDICAL SERVICES LIMITED

Notes to the financial statements for the year ended 31 March 2012

1 Accounting policies

a) Basis of accounting

The financial statements are prepared under the historical cost basis of accounting, modified to include the revaluation of leasehold property, and have been prepared in accordance with applicable accounting standards

The company has taken advantage of the exemption, conferred by Financial Reporting Standard 1, from presenting a cash flow statement as it is a wholly owned subsidiary

b) Turnover

Turnover represents net invoiced sales of goods and services

c) Depreciation of tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation less estimated residual value of each asset over its estimated useful life. The principal rates in use are

Leasehold property	over 32 years
Plant, machinery and equipment	6.67% to 20% on cost

Leasehold property is revalued every 5 years and indexed in the intervening period. The property was last subject to an independent professional valuation on 31 March 2008

d) Goodwill

Goodwill, which represents the excess of cost of acquisitions of businesses over the value attributed to their net assets, is amortised through the profit and loss account by equal instalments over its estimated useful economic life

e) Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences that have originated but not reversed at the balance sheet date

Deferred tax is measured on a non discounted basis, at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

f) Hire purchase and lease transactions

Assets acquired under hire purchase agreements and finance leases are capitalised in the balance sheet and are depreciated in accordance with the company's normal policy. The outstanding liabilities under such agreements less interest not yet due are included in creditors. Interest on such agreements is charged to the profit and loss account over the term of each agreement and represents a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged to the profit and loss account as they fall due

g) Pension scheme

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account represents the contributions payable by the company in the period

EAST KENT MEDICAL SERVICES LIMITED

Notes to the financial statements for the year ended 31 March 2012 (continued)

2 Turnover

The turnover and profit before taxation are attributable to the one principal activity of the company

	2012	2011
	£	£
Class of business		
Medical consultants fees	2,925,672	3,307,442
Clinical and prosthesis income	6,963,016	8,945,987
	<u>9,888,688</u>	<u>12,253,429</u>

3 Operating loss/(profit)

This is stated after charging

	2012	2011
	£	£
Depreciation	163,387	202,752
Auditors' remuneration	13,090	21,665
Auditors' remuneration - fees for non audit services	8,705	16,103
Operating lease rentals - land and buildings	4,829	5,429
	<u>189,911</u>	<u>245,949</u>

4 Employee information

	2012	2011
	£	£
Staff costs (excluding recharges):		
Wages and salaries	2,538,664	2,502,946
Social security costs	217,387	216,463
Other pension costs	20,214	15,168
	<u>2,776,265</u>	<u>2,734,577</u>

Wages and salaries include the cost of agency staff of £156,627 (2011 £143,209)

The average number of persons employed during the year, including executive directors, was made up as follows

	2012	2011
	£	£
Management	6	4
Administration and clerical	28	28
Nursing and clinical	156	164
Hotel services	12	9
	<u>202</u>	<u>205</u>

Of the total employees, 91(2011 76) were permanent contracted staff (51 Nursing and clinical plus 6 Management, 26 Administration and clerical and 8 Hotel services) and 111 (2011 129) were flexi-bank staff. Figures relate to the number of employees and not to full time equivalents

EAST KENT MEDICAL SERVICES LIMITED

Notes to the financial statements for the year ended 31 March 2012 (continued)

5 Directors' emoluments

	2012	2011
	£	£
Emoluments	191,378	119,325
Company contributions to money purchase pension schemes	1,517	2,672
	<u>192,895</u>	<u>121,997</u>

The number of directors who were accruing benefits under company pension schemes were as follows

Money purchase schemes	<u>2</u>	<u>2</u>
------------------------	----------	----------

6 Interest payable and similar charges

	2012	2011
	£	£
In respect of loans repayable within five years:		
On obligations under finance lease and hire purchase	340	621
In respect of loans repayable after five years		
On loans	5,058	93,510
	<u>5,398</u>	<u>94,131</u>

7 Taxation on profit on ordinary activities

	2012	2011
	£	£
United Kingdom corporation tax at 20%	-	9,741
Deferred taxation (note 13)	4,070	9,985
Adjustments in respect of previous years	-	71
	<u>4,070</u>	<u>19,797</u>
(Loss)/profit on ordinary activities before taxation	<u>2,988</u>	<u>137,599</u>
Factors affecting tax charge for the period		
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2011 21%)	598	28,896
Effects of		
Expenses not deductible for tax purposes	(324)	489
Depreciation in excess of capital allowances	10,679	10,886
Group relief	(10,953)	(30,530)
Current tax charge for the year	<u>-</u>	<u>9,741</u>

8 Intangible fixed assets

	Goodwill
	£
Cost:	
At 31 March 2011 and 31 March 2012	<u>37,642</u>
Amortisation:	
At 31 March 2011 and March 2012	<u>37,642</u>
Net book value.	
At 31 March 2012	<u>-</u>

EAST KENT MEDICAL SERVICES LIMITED

Notes to the financial statements for the year ended 31 March 2012 (continued)

9 Tangible fixed assets

	Plant, machinery and equipment	Leasehold property	Total
	£	£	£
Cost or valuation:			
At 1 April 2011	873,311	3,102,609	3,975,920
Additions	42,430	-	42,430
At 31 March 2012	915,741	3,102,609	4,018,350
Depreciation:			
At 1 April 2011	589,954	296,278	886,232
Provision for the year	66,386	97,001	163,387
At 31 March 2012	656,340	393,279	1,049,619
Net book value			
At 31 March 2012	259,401	2,709,330	2,968,731
At 31 March 2011	283,357	2,806,331	3,089,688

Included within plant, machinery and equipment are assets held under finance leases or hire purchase contracts with a net book value of £41,380 (2011 £76,202)

The depreciation charge for the year includes £34,822 (2011 £36,469) in respect of assets held under finance leases or under hire purchase contracts

The leasehold property was revalued on an existing use basis as at 31 March 2008 by Boshier & Company Chartered Surveyors and was subsequently been indexed to 31 March 2009. If shown on a historical cost basis the leasehold property would be stated as follows

	2012	2011
	£	£
Cost	3,012,044	3,010,604
Depreciation	795,528	734,090
	2,216,516	2,276,514

The total amount of finance costs included in the cost of tangible fixed assets is £108,522 (2011 £108,522)

10 Debtors

	2012	2011
	£	£
Trade debtors	2,691,183	3,174,694
Other debtors	133,511	106,947
Amount owed by group companies	32,518	4,646
Prepaid expenses and accrued income	97,257	52,334
	2,954,469	3,338,621

Other debtors represents an amount of £132,071 (2011 £106,947) due from a former employee as a result of accounting irregularities which have occurred since 2008. The company are confident of recovery but this may not be within 12 months.

EAST KENT MEDICAL SERVICES LIMITED

Notes to the financial statements for the year ended 31 March 2012 (continued)

11 Creditors amounts falling due within one year

	2012	2011
	£	£
Trade creditors	3,177,909	3,806,876
Loan	3,416	3,152
Other creditors	116,846	26,138
Corporation tax	-	9,741
Other tax and social security	84,266	131,560
Obligations under finance leases and hire purchase contracts	530	6,062
Accruals and deferred income	151,101	90,606
	<u>3,534,068</u>	<u>4,074,135</u>

12 Creditors amounts falling due after more than one year

	2012	2011
	£	£
Net obligations under finance leases and hire purchase contracts	-	530
Amount owed to parent undertaking	805,774	952,015
Loan	82,685	86,102
	<u>888,459</u>	<u>1,038,647</u>
Analysis of loan repayments		
Loan		
Within one year or on demand	3,416	3,152
Between one and two years	3,678	3,414
Between two and five years	12,607	11,816
In five years or more	66,400	70,872
Commitments under finance leases and hire purchase agreements		
Within one year or on demand	530	6,062
Between two and five years	-	530
	<u>86,631</u>	<u>95,846</u>
<i>Less</i> amounts included in current liabilities (note 11)	<u>(3,946)</u>	<u>(9,214)</u>
	<u>82,685</u>	<u>86,632</u>

Obligations under finance leases and hire purchase contracts are secured on the underlying assets

The loan is from East Kent Hospitals University NHS Foundation Trust and is repayable in equal instalments over 20 years until March 2028 and bears interest at 4% above bank base rate. The loan is secured by a debenture over the assets of the company.

The amount due to Healthex Limited is secured by a debenture over the assets of the company.

13 Provisions for liabilities

	2012	2011
	£	£
Accelerated capital allowances	110,703	107,082
Other timing differences	-	(449)
Undiscounted provision for deferred tax	<u>110,703</u>	<u>106,633</u>
Provision at start of year	106,633	
Deferred tax charge in profit and loss account for year (note 7)	4,070	
Provision at end of year	<u>110,703</u>	

EAST KENT MEDICAL SERVICES LIMITED

Notes to the financial statements for the year ended 31 March 2012 (continued)

14 Called up share capital

	2012	2011
	£	£
Allotted, called up and fully paid		
Equity shares		
Ordinary shares of £1 each	<u>560,000</u>	<u>560,000</u>

15 Reserves

	Revaluation reserve	Profit and loss account
	£	£
At 1 April 2011	529,817	428,089
Loss for the year	-	1,082
Difference between an historical depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>(37,896)</u>	<u>37,896</u>
At 31 March 2012	<u>491,921</u>	<u>464,903</u>

16 Reconciliation of movement in shareholders' funds

	2012	2011
	£	£
(Loss)/profit for the year	(1,082)	117,802
Shareholders' funds at 1 April 2011	<u>1,517,906</u>	<u>1,400,104</u>
Shareholders' funds at 31 March 2012	<u>1,516,824</u>	<u>1,517,906</u>

17 Leasing commitments

Operating leases

The company's annual commitments for rental payments under non-cancellable operating leases at 31 March 2012 were as set out below

	<u>31 March 2012</u>		<u>31 March 2011</u>	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire				
Within two to five years	-	19,991	-	1,720
Over five years	<u>4,829</u>	<u>-</u>	<u>4,829</u>	<u>-</u>
	<u>4,829</u>	<u>19,991</u>	<u>4,829</u>	<u>1,720</u>

The company entered into a 99 year lease, dated March 1998, for the occupation of the leasehold premises. The rent payable is £4,829. The company has also entered into an under-lease for the same premises and under that lease, rentals receivable will be equal to the committed rental payments.

18 Related parties

The company has taken advantage of the exemption available in accordance with FRS 8 'Related party disclosures' not to disclose transactions entered into between two or more members of a group as the company is a wholly owned subsidiary undertaking of the group to which it is party to the transactions.

EAST KENT MEDICAL SERVICES LIMITED

Notes to the financial statements for the year ended 31 March 2012 (continued)

19 Pension commitments and other post-retirement benefits

Defined contribution scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost and charge represents contributions payable by the company to the fund and amounted to £20,214 (2011 £15,168). At 31 March 2012 contributions amounting to £nil (2011 £2,137) were payable to the fund and are included in creditors.

20 Ultimate parent undertaking

The company is a 100% subsidiary of Healthex Limited (incorporated in the UK) and was ultimately controlled by East Kent Hospitals University NHS Foundation Trust until the sale of the shares in Healthex Limited on 31 October 2009. After this date the ultimate controlling party is Invicta Hospitals Project Limited (incorporated in the UK), the parent company of Healthex Limited.

Group accounts are prepared by Invicta Hospitals Project Limited and available from the registered office.