Company Registration No. 03130118 (England and Wales)

EAST KENT MEDICAL SERVICES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

PAGES FOR FILING WITH REGISTRAR

EAST KENT MEDICAL SERVICES LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Balance sheet	3
Notes to the financial statements	4 - 19

The directors present the strategic report for the year ended 31 March 2018.

Fair review of the business

The principal activity of the company is the provision of private hospital services with premises offering outpatient services and inpatient services with twenty-two bedrooms in Margate, Kent, and premises offering outpatient services and inpatient services with four bedrooms in Ashford, Kent. Both sites are within the grounds of NHS hospitals owned by the ultimate parent company, East Kent Hospital University NHS Foundation Trust.

During the year ending March 2018 the company has seen a steady growth in income, with a 1% increase in turnover in comparison to the prior year (from £10.7m to £10.9m), and through careful management of costs, an increase of 50% in net profit (from £0.16m to £0.24m), despite what has been recognised in the Care Quality Commissions recently published Findings from CQC's programme of comprehensive independent acute inspections (Challenges for the Sector) as a challenging financial climate for private healthcare providers seeking to maintain profitability and financial viability.

The geographical proximity and accessibility to the main NHS hospital buildings in Margate and Ashford, as well as the consistently high quality standards at the company's hospital sites, are key factors in the company's ability to gain and fulfil NHS contract work at a time when there is increasing need for private healthcare providers to work alongside the NHS in order to meet patient demand, whilst the company's status as a fully owned subsidiary of the local NHS trust allows the company a unique opportunity to meet these needs whilst returning all profits for work back to the NHS as well as delivering profits from private business streams to the NHS.

Principal risks and uncertainties facing the business

Management continually monitor the key risks facing the company, together with assessing the controls used for managing these risks. The board of directors formally reviews and documents the principal risks facing the business at least annually.

The principal risks and uncertainties facing the company are as follows:

- Economic downturn – the company acknowledges the importance of maintaining close relationships with its key customers in order to be able to identify the early signs of potential difficulties. With NHS contracts currently a key income stream, the company works closely with the local NHS trust and CCGs to maintain good working relationships and frequent dialogue in order to best meet the needs of these customers and encourage early identification of potential issues or anticipated downturn in activity.

- Competitor pressure – in order to maintain competitive pricing for all customers and meet the changing technological needs of NHS customers, with NHS contract work often also involving high levels of administration and therefore high levels of overhead cost whilst maintaining profitability and high quality standards the company reviews pricing and costs on a continuous basis. Maintaining high quality standards and strong relationships with key customers is also a key factor in minimising competitor pressure.

- Reliance on key suppliers – the company's purchasing activities could expose it to over-reliance on certain suppliers and inflationary pricing measures. The economic impact of Brexit is mitigated by the fact that the vast majority of goods and services are sourced from UK suppliers, however, there has been an increase in prices due to the weakening of sterling. The company manages this risk by ensuring there is enough breadth in its supplier base and regularly reviews costs to identify areas where alternative suppliers should be sought.

Development and financial performance during the year

As reported in the company's statement of comprehensive income on turnover has increased by 1.2% from £10.7m to £10.9m. Profit after tax has increased by 50% from £163K to £243K. The results are considered to be satisfactory.

Key performance indicators
Management use a range of performance measures to monitor and manage the business. The KPIs used to determine the progress and performance of the company are set out below:

Gross profit margin - The company's gross profit margin has remained at 14.7%

PLACE Inspection – Excellent

Infection Rates – Zero

CQC Inspection – Good rating and no improvements noted

ISO9001:2015 – Maintained

ISO14001:2015 – Maintained

Investors in People – Maintained

Financial position at the reporting date
The balance sheet shows that the company's net assets at the year end have increased from £1.9m to £4.0m. A revaluation of the main hospital property has contributed to this increase. The company invested £59k in tangible fixed assets in the year.

On behalf of the board

D Daw
Director
11 March 2019

EAST KENT MEDICAL SERVICES LIMITED

BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018 £	2018 £	2017 as restated £	2017 as restated £
Fixed assets					
Intangible assets	**6**		2,084		2,590
Tangible assets	**7**		4,499,257		2,746,652
			4,501,341		2,749,242
Current assets					
Debtors	**9**	2,649,778		1,623,628	
Cash at bank and in hand		429,928		404,975	
		3,079,706		2,028,603	
Creditors: amounts falling due within one year	**10**	(2,608,714)		(1,906,831)	
Net current assets			470,992		121,772
Total assets less current liabilities			4,972,333		2,871,014
Creditors: amounts falling due after more than one year	**11**		(843,583)		(822,905)
Provisions for liabilities	**13**		(92,879)		(104,086)
Net assets			4,035,871		1,944,023
Capital and reserves					
Called up share capital	**14**		560,000		560,000
Revaluation reserve	**15**		2,602,994		754,171
Profit and loss reserves	**16**		872,877		629,852
Total equity			4,035,871		1,944,023

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 11 March 2019 and are signed on its behalf by:

D Daw
Director

Company Registration No. 03130118

1 Accounting policies

Company information

East Kent Medical Services Limited is a private company limited by shares incorporated in England and Wales. The registered office is Atina House, 5-7 Bench Street, Dover, Kent, CT16 1JH.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary a mounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

In previous years a statement has been made regarding the assumption of going concern in relation to an annually reducing position of net current liability in the financial statements. A large contributory factor in the position of net current liability was the classification of a loan from the ultimate parent undertaking as a current liability. During the current accounting period it has been agreed with the ultimate parent undertaking that this loan should be reclassified as a non-current liability. After reclassification of the loan both in the current, and for comparison purposes also in the prior year, the company's net current asset position has increased from £122k at the prior year end to £471k at the current year end.

Although the company enjoys a close relationship with the ultimate parent undertaking, East Kent Hospitals University NHS Foundation Trust, the company manages its cash-flow independently and does not seek financial support from the Trust.

East Kent Hospitals University NHS Foundation Trust continues to be in special measures (under NHS England's Special Measures regime). Although the company is not dependent on the Trust for financial support it must be acknowledged that a significant portion of the company's turnover stems from the NHS Trust.

The directors have reviewed the commercial performance of the company and in particular the sensitivity analysis of the company's commercial prospects, which demonstrates that although the impact of an adverse change in activity levels or service pricing could be commercially significant to the company, a number of measures put in place by the company in order to mitigate the impact of such events along with the company's record of stable business operations and good relationship with commercial stakeholders indicate that the risks deriving from this type of event can reasonably be regarded by the directors as manageable business risks.

1 Accounting policies **(Continued)**

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised, and that it is probable that the debt can be recovered.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	over 5 years

1.5 Tangible fixed assets

Leasehold land and buildings are initially measured at cost and subsequently measured at valuation, net of depreciation and any impairment losses. Revaluation of leasehold land and buildings is carried out regularly, up to every four years.

All other tangible fixed assets are measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	over 32 years
Plant and equipment	6.67% to 33.33% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1 Accounting policies **(Continued)**

1.6 Impairment of fixed assets

At each reporting period end 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 it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.7 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies **(Continued)**

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end 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 have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1 Accounting policies **(Continued)**

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years 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 reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1 Accounting policies **(Continued)**

1.13 Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2 Change in accounting policy

During the year, the company changed its accounting policy with respect to the depreciation of revalued fixed assets. The company's previous accounting policy was to transfer gains arising on the revaluation of leasehold property from the revaluation reserve to the P&L reserve as the assets were used, based on the difference between annual depreciation based on the revalued carrying amount and annual depreciation based on the assets' original cost. We have changed this policy to one of recognising these gains when the assets are retired from use or disposed of and posted a prior period adjustment of £53,940 to the opening balances of reserves at 1 April 2016 to transfer the gain recognised in the P&L reserve under the previous policy back to the revaluation reserve.

The company believes the new policy provides more relevant information as it falls in line with the policy of the parent undertaking and allows visibility of the impact of revaluations.

The impact of this voluntary change in accounting policy on the financial statements is to increase the revaluation reserve and to decrease the value of profit and loss reserves by a corresponding amount, as shown in note 21 to the financial statements.

3 Judgements and key sources of estimation uncertainty

In the preparation and presentation of the company's financial statements, the directors are required to make judgements, estimates and assumptions that effect the amounts reported for assets and liabilities as at the balance sheet date and amounts reported in the profit and loss account and statement of comprehensive income. However, although the estimates and underlying assumptions are reviewed on an ongoing basis, actual results may differ from these estimates.

The following critical judgements are viewed to have the most significant effect on the amounts recognised in the statutory financial statements:

Assessing indicators of impairment
The company assesses for any indication of impairment of its assets by considering whether any significant changes, such as damage to or discontinuation of use of the asset, have taken place or are expected to take place, which could have an adverse impact on the value of the asset for the company. External factors such as market value are also considered through revaluations of the company's leasehold property. There have been no indicators of impairments identified during the current financial year.

Recoverability of receivables
Receivables balances are regularly reviewed. Where the recoverability of a receivables balance is viewed to be doubtful, a corresponding provision is made. Factors taken into account in assessing the recoverability of a debt include the age of the receivable balance, past experience of the recoverability of similar debts and the payment history of the debtor.

Determining residual values and useful economic lives of property, plant and equipment
Tangible assets are depreciated over the asset's estimated useful life. For finance leases the estimated useful life is based on the length of the lease and anticipated period of usage of the asset. For assets owned outright the useful life is based upon group policy, taking into consideration the expected lifecycle of the asset.

In determining the residual value of tangible assets internal factors including the state of repair of the asset and the asset's expected remaining useful economic life are taken into account alongside, where possible, external factors including market value.

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018 Number	2017 Number
Management	7	6
Administration and clerical	46	41
Nursing and clinical	73	72
Hotel services	11	11
	137	130

4 Employees **(Continued)**

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	3,186,176	2,982,382
Social security costs	268,533	255,804
Pension costs	38,984	37,934
	3,493,693	3,276,120

Wages and salaries include the cost of agency staff of £577,611 (2017: £447,357).

Self employed staffing was reviewed and rationalised in line with business activity which is reflected in the nursing and clinical numbers above.

5 Directors' remuneration

	2018	2017
	£	£
Remuneration for qualifying services	205,132	208,884
Company pension contributions to defined contribution schemes	22,208	8,588
	227,340	217,472

The number of directors, who are also the key management personnel, for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2018	2017
	£	£
Remuneration for qualifying services	100,467	113,595
Company pension contributions to defined contribution schemes	6,698	6,698

6 Intangible fixed assets

	Goodwill	Software	Total
	£	£	£
Cost			
At 1 April 2017 restated and 31 March 2018	37,642	62,308	99,950
Amortisation and impairment			
At 1 April 2017 restated	37,642	59,718	97,360
Amortisation charged for the year	-	506	506
At 31 March 2018	37,642	60,224	97,866
Carrying amount			
At 31 March 2018	-	2,084	2,084
At 31 March 2017 restated	-	2,590	2,590

7 Tangible fixed assets

	Leasehold land and buildings	Plant and equipment	Total
	£	£	£
Cost or valuation			
At 1 April 2017 restated	3,420,399	786,443	4,206,842
Additions	42,616	16,776	59,392
Revaluation	882,738	-	882,738
At 31 March 2018	4,345,753	803,219	5,148,972
Depreciation and impairment			
At 1 April 2017 restated	869,139	591,051	1,460,190
Depreciation charged in the year	96,946	58,664	155,610
Revaluation	(966,085)	-	(966,085)
At 31 March 2018	-	649,715	649,715
Carrying amount			
At 31 March 2018	4,345,753	153,504	4,499,257
At 31 March 2017 restated	2,551,260	195,392	2,746,652

7 Tangible fixed assets **(Continued)**

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2018	2017
	£	£
Plant and equipment	19,854	52,773
Depreciation charge for the year in respect of leased assets	21,172	26,436

Land and buildings with a carrying amount of £4,345,753 were revalued at 31 March 2018 by Cushman and Wakefield, independent valuers not connected with the company on the basis of depreciated replacement cost. The valuation conforms to International Valuation Standards and was based on the cost of replacement of the asset with a modern equivalent.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2018	2017
	£	£
Cost	3,057,540	3,014,924
Accumulated depreciation	1,206,901	1,136,925
Carrying value	1,850,639	1,877,999

8 Financial instruments

	2018	2017
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2,236,798	1,465,803
Carrying amount of financial liabilities		
Measured at amortised cost	2,518,304	1,875,499

9 Debtors

	2018	2017
		as restated
Amounts falling due within one year:	£	£
Trade debtors	2,236,798	1,465,803
Prepayments and accrued income	412,980	157,825
	2,649,778	1,623,628

10 Creditors: amounts falling due within one year

	Notes	2018 £	2017 as restated £
Loans	12	4,989	4,728
Obligations under finance leases		27,033	36,199
Trade creditors		2,107,442	1,197,769
Corporation tax		84,668	53,180
Other taxation and social security		73,330	78,852
Other creditors		7,887	10,337
Accruals and deferred income		303,365	525,766
		2,608,714	1,906,831

11 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 as restated £
Loans	12	56,645	61,547
Obligations under finance leases		10,943	39,153
Other borrowings	12	775,995	722,205
		843,583	822,905

The loan from group undertakings is from Healthex Limited. This loan is repayable in monthly instalments over 20 years until March 2028 and bears interest at 7% during this financial period. A repayment break has been in place throughout the period

Amounts included above which fall due after five years are as follows:

	2018	2017
Payable by instalments	436,700	506,909

12 Borrowings

	2018 £	2017 as restated £
Loans	61,634	66,275
Loans from group undertakings	775,995	722,205
	837,629	788,480
Payable within one year	4,989	4,728
Payable after one year	832,640	783,752

12 Borrowings **(Continued)**

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.

13 Provisions for liabilities - Taxation including deferred taxation

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:

	Liabilities 2018	Liabilities 2017
Balances:	£	£
Accelerated capital allowances	92,879	104,086

	2018
Movements in the year:	£
Liability at 1 April 2017	104,086
Credit to profit or loss	(11,207)
Liability at 31 March 2018	92,879

The deferred tax liability set out above is expected to reverse over the life of the qualifying assets and relates to accelerated capital allowances that are expected to mature within the same period.

14 Share capital

	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
560,000 Ordinary shares of £1 each	560,000	560,000
	560,000	560,000

15 Revaluation reserve

Where tangible fixed assets are revalued, the cumulative increase in the fair value of the property at the date of revaluation in excess of any previous impairment losses is included in the revaluation reserve.

16 Profit and loss reserves

This reserve represents the accumulated profits and losses of the company.

17 Audit report information

As the income statement has been omitted from the filing copy of the financial statements the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

Brexit other matter paragraph
Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardized firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

The senior statutory auditor was Fleur Nieboer.
The auditor was KPMG LLP.

18 Operating lease commitments

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

	2018	2017
	£	£
Within one year	24,829	28,692
Between two and five years	79,316	99,316
In over five years	357,346	362,175
	461,491	490,183

18 Operating lease commitments **(Continued)**

Lessor

The operating leases represents the lease of part of the leasehold land and buildings to East Kent Hospitals University Foundation Trust.

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2018	2017
	£	£
Within one year	4,829	4,829
Between two and five years	19,316	19,316
In over five years	357,346	362,175
	381,491	386,320

19 Related party transactions

The company is a wholly owned member of East Kent Hospitals University NHS Foundation Trust and as such has taken advantage of the exemption permitted by Section 33 Related Party Disclosures, not to provide disclosures of transactions entered into with other wholly owned members of the Group.

20 Controlling party

East Kent Medical Services Limited is fully owned by Healthex Limited, whose registered address is The Spencer Wing, Ramsgate Road, Margate, Kent, CT9 4BG.

The ultimate controlling party is East Kent Hospitals University NHS Foundation Trust, the parent company of Healthex Limited, whose registered office address is Trust Offices, Kent & Canterbury Hospital, Ethelbert Road, Canterbury, Kent, CT1 3NG.

Group accounts are prepared by East Kent Hospitals University NHS Foundation Trust. Published group accounts are available to the public from the registered office address above.

21 Prior period adjustment

Changes to the balance sheet

	At 31 March 2017				
	As previously reported	Adjustment at 1 Apr 2016	Adjustment at 31 Mar 2017	Sum of adjustments	As restated
	£	£	£	£	£
Fixed assets					
Other intangibles	-	7,351	(4,761)	2,590	2,590
Tangible assets	2,749,242	(7,351)	4,761	(2,590)	2,746,652
Current assets					
Debtors due within one year	1,933,066	(305,094)	(4,344)	(309,438)	1,623,628
Creditors due within one year					
Other creditors	(2,765,515)	968,408	63,235	1,031,643	(1,733,872)
Creditors due after one year					
Loans and overdrafts	(61,547)	(663,314)	(58,891)	(722,205)	(783,752)
Net assets	1,944,023	-	-	-	1,944,023
Capital and reserves					
Revaluation reserve	673,261	53,940	26,970	80,910	754,171
Profit and loss	710,762	(53,940)	(26,970)	(80,910)	629,852
Total equity	1,944,023	-	-	-	1,944,023

21 Prior period adjustment **(Continued)**

The following adjustments have been made to the March 2017 opening figures shown in these financial statements:

Fixed assets
Tangible assets & Other intangibles
Due to their low net book value (£2,590), other intangibles were previously included in the total for tangible assets. The balance of other intangible assets has now been split out from the tangible assets so that the individual figures are visible.

Current assets
Debtors due within one year
A prior period correction has been made whereby the reversal of deferred income had been posted in error to trade debtors, thereby overstating current assets and current liabilities each by £322,845. The correction has reduced the trade debtors total and reduced the deferred income liability.
Debtor receipts totalling £13,407 have been reclassified as creditor balances, thereby increasing both debtors and creditors balances.

Creditors due within one year
Other creditors
Amounts accrued owing to ultimate parent undertaking in relation to income share (366,381), previously included in the trade creditors total have been reclassified as accruals – reclassification within current liabilities.

A prior period correction has been made whereby the reversal of deferred income had been posted in error to trade debtors, thereby overstating current assets and current liabilities each by £322,845. The correction has reduced the trade debtors total and reduced the deferred income liability.
Debtor receipts totalling £13,407 have been reclassified as creditor balances, thereby increasing both debtors and creditors balances.

Loans from the parent and ultimate parent undertaking (£722,205) were previously classified as current liabilities. These have now been reclassified as non-current liabilities.

Creditors due after one year
Loans & overdrafts
Loans from the parent and ultimate parent undertaking (£722,205) were previously classified as current liabilities. These have now been reclassified as non-current liabilities.

Capital & reserves
Revaluation reserve & Profit & loss reserve
The company's previous accounting policy was to transfer gains arising on the revaluation of leasehold property from the revaluation reserve to the P&L reserve as the assets were used, based on the difference between annual depreciation based on the revalued carrying amount and annual depreciation based on the assets' original cost. We have changed this policy to one of recognising these gains when the assets are retired from use or disposed of and posted an adjustment of £53,940 to the opening balances of reserves at 1 April 2016, together with an adjustment of £26,970 to the comparative period, to transfer the gain recognised in the P&L reserve under the previous policy back to the revaluation reserve.

Changes to the profit and loss account

There have been no adjustments to the prior period profit and loss account.