

Company registration number 03130118 (England and Wales)

SPENCER PRIVATE HOSPITALS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

SPENCER PRIVATE HOSPITALS LIMITED

COMPANY INFORMATION

Directors	D Daw N M Goodger A Andreou S K P Reynolds H F Risebrow J Jenner S J Baird K M Spence	 (Appointed 1 September 2021) (Appointed 1 November 2021) (Appointed 10 May 2022)
Secretary	A Fox	
Company number	03130118	
Registered office	Units 1 & 3 Almond House Betteshanger Road Deal Kent CT14 0EN	
Auditor	Grant Thornton UK LLP Statutory Auditor & Registered Accountants 2nd Floor St John's House Haslett Avenue West Crawley RH10 1HS	
Business address	Spencer Private Hospital Ramsgate Road Margate Kent CT9 4BG	

SPENCER PRIVATE HOSPITALS LIMITED

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SPENCER PRIVATE HOSPITALS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present the strategic report for the year ended 31 March 2022.

Fair review of the business

The principal activity of the company continues to be the provision of private hospital services within east Kent. The original site in Margate, within the grounds of Queen Elizabeth & Queen Mother Hospital, Margate, Kent, consists of a first floor inpatient facility, with outpatient facilities on the ground floor and its own hospital entrance. The Ashford hospital site, currently consists of an inpatient facility on the upper level within the main hospital, with a separate outpatient facility and its own hospital entrance situated on the ground floor.

In November 2019 the company opened an outpatient facility in Canterbury, followed by inpatient facilities in March 2022.

During the previous financial year, business as usual had been suspended at all sites, in order to assist in the NHS Coronavirus pandemic response.

Principal risks and uncertainties facing the business

Management continually monitor the key risks facing the company, together with assessing the controls used and actions necessary in 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 Integrated Care Boards (ICB's) 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 – the company reviews sales pricing and costs on a continuous basis in order to maintain competitive pricing for all customers and meet the changing needs of customers, whilst maintaining profitability alongside high quality standards. Maintaining high quality standards and strong relationships with key customers is also a key factor in minimising competitor pressure.
- Skilled & content workforce - Ensuring that staff training and skill needs are met is a significant priority for the company. Recruitment is high on the agenda for all healthcare providers, with the workforce the company's most valued asset. Staff terms and conditions are continuously reviewed in order to retain and assist in recruiting quality staff. Staff well-being is a key focus for all managers.
- Software - Systems are continuously reviewed and updated as necessary to ensure that they are reliable and meet the needs of the business. SPH has a detailed Digital Strategy approved by the Board which it is in the process of implementing.
- Reliance on key suppliers – the company's purchasing activities could expose it to over-reliance on certain suppliers and inflationary pricing measures. 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.

SPENCER PRIVATE HOSPITALS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

Development and financial performance during the year

As reported in the company's statement of comprehensive income on page 11, turnover has increased by £3.1m from £12.7m to £15.8m during the year. It should, however, be noted that the prior year had seen a reduction in both income and costs due to the adaptation of service provision away from business as usual to meet the requirements of the NHS COVID-19 pandemic response. Although it is difficult to quantify the value of that impact, this is a significant factor in the year on year increase in turnover. Looking back to the previous year for a fairer comparison, the year ending March 2022 saw a slight reduction in turnover of £0.1m from £15.9m to £15.8m in comparison to the year ending March 2020.

Cost of sales increased by £1.7m from £10.5m in the prior year to £12.2m during the year ending March 2022. It should, however, be noted that a reclassification of indirect staff costs for the year ending March 2022, from cost of sales to administration expenses, took place. These costs were correctly classified as cost of sales during the year ending March 2021. However, if these costs had been reclassified within the year ending March 2021, this would have led to an increase of £1.3m in the year ending March 2022, from £9.2m to £10.5m. An equivalent recalculation of the cost of sales for the year ending March 2020 would show a reduction in cost of sales of £0.9m from £13.1m to £12.2m.

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 – A gross profit margin of 23% has been achieved (Prior year: 18%)

PLACE Inspection – Excellent (2019: Excellent) accreditation still current; assessments have been put on hold since the outbreak of the pandemic.

Infection Rates – Zero (2020: Zero)

CQC Inspection – Good rating and no improvements noted (2015: Good rating and no improvements noted) In line with Covid protocol CQC Engagement meetings have taken place regularly during the past years with no issues raised.

ISO9001:2015 – Maintained (2021: Maintained)

ISO14001:2015 – Maintained (2022: Maintained)

Investors in People – Maintained (2021: Maintained)

Food Hygiene Rating – Five (2022: Maintained)

Financial position at the reporting date

The balance sheet shows that the company's net assets at the year end have increased from £4.7m to £4.8m. The company has invested £131K (2021: £196K) in tangible fixed assets in the year.

On behalf of the board

D Daw
Director

20 October 2022

SPENCER PRIVATE HOSPITALS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their annual report and financial statements for the year ended 31 March 2022.

Principal activities

The principal activity of the company continued to be the provision of private hospital services in East Kent, with inpatient and outpatient facilities in Margate, Ashford and Canterbury. Since the outbreak of the Coronavirus pandemic, in March 2020, the company has assisted in the NHS pandemic response across all sites. Although normal business activities resumed in April 2021, throughout the year the company continued to work with the local NHS Trust, in particular assisting in the provision of beds, in order to manage the increased demand seen by the Trust as a result of continued high infection rates and delays to treatment during the pandemic.

Future Developments

In March 2022 the company added inpatient facilities to the existing outpatient services at the Canterbury site. The company has continued to see demand for services since the end of the pandemic lockdown measures and is considering a number of development opportunities across all sites. Staff wellbeing, retention of staff and strengthening and building relationships with medical professionals are key focus points. Staff and patient safety also remain a key focus. Enhanced infection control & social distancing measures have remained in place and will continue to be reviewed regularly to ensure staff & patient safety are maintained in the face of fluctuating levels of Coronavirus in the area.

Qualifying third party indemnity provisions

The Company has provided qualifying third party indemnity provisions in respect of its officers, including the directors, which were in force during the year and at the date of this report.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

D Daw	
N M Goodger	
A Andreou	
H Munro	(Resigned 1 September 2021)
S K P Reynolds	
H F Risebrow	
E M C Coles	(Appointed 1 September 2021 and resigned 31 August 2022)
J Jenner	(Appointed 1 September 2021)
S J Baird	(Appointed 1 November 2021)
K M Spence	(Appointed 10 May 2022)

Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

SPENCER PRIVATE HOSPITALS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

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 finance the company's operations.

Trade debtors 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.

Matters covered in the strategic report

In accordance with section 414 of the Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013), the Company has chosen to include a Strategic report. The information covers the business review and principal risk and uncertainties.

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.

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

The 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 is acknowledged that under normal trading arrangements a proportion of the Company's turnover stems from the Trust.

The Directors have reviewed the commercial performance of the Company and the risk to the business regarding returning to normal operations post Covid-19, considering severe but plausible scenarios. The Directors have considered the strong relationship with the ultimate parent in regard to providing services, including theatre access, pathology and diagnostic services, the resumption of service provision to NHS Kent and Medway Integrated Care Board (formally Kent and Medway CCG) as of 1st April 2022, the transfer of patients from the NHS Trust through the Inter Provider Transfer route, the provision of overflow beds to the Trust during a period of high demand, the continuation of the community eye contract and the increased demand for private healthcare services since April 2022. Having considered these factors the Directors have reasonable expectations that the risks derived from this type of event can reasonably be regarded by the Directors as manageable business risks.

The Directors have reviewed the financial forecasts together with the underlying assumptions under which they have been prepared, up to the end of October 2023. The Directors have satisfied themselves that the assumptions are fair and reasonable and reflect the prospects for the business.

Whilst all expectations of the future are inherently uncertain due to the current circumstances, after making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis.

SPENCER PRIVATE HOSPITALS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard' applicable in the UK and Republic of Ireland).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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- M
- Sand
- A.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

In accordance with section 485 of the Companies Act 2006, a resolution proposing that Grant Thornton UK LLP be re-appointed will be put forward to the Board at a General Meeting.

On behalf of the board

D Daw

Director

20 October 2022

SPENCER PRIVATE HOSPITALS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPENCER PRIVATE HOSPITALS LIMITED

Opinion

We have audited the financial statements of Spencer Private Hospitals Limited (the 'company') for the year ended 31 March 2022, which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit 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.

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 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 responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's and the company's business model including effects arising from macro-economic uncertainties such as Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Group's and the parent company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

SPENCER PRIVATE HOSPITALS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPENCER PRIVATE HOSPITALS LIMITED

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.

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 this regard.

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.

Matter on which we are required to report under the Companies Act 2006

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 material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

SPENCER PRIVATE HOSPITALS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPENCER PRIVATE HOSPITALS LIMITED

Responsibilities of directors for the financial statements

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

SPENCER PRIVATE HOSPITALS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPENCER PRIVATE HOSPITALS LIMITED

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks being FRS 102 and the Companies Act 2006, together with the relevant tax compliance regulations in the UK.
- We obtained an understanding of how the Company is complying with relevant legal and regulatory frameworks by making inquiries of management, others within the entity and those charged with governance. We corroborated our inquiries through our review of board minutes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management from relevant parts of the business to understand areas where management considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programs and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Our audit procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of management, others within the entity and those charged with governance. In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed noncompliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement leader's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
 - Knowledge of the industry in which the Company operates
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

SPENCER PRIVATE HOSPITALS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPENCER PRIVATE HOSPITALS LIMITED

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.

Adam Terry BSc FCA
Senior Statutory Audit
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Crawley

20 October 2022

SPENCER PRIVATE HOSPITALS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Turnover	3	15,792,250	12,704,977
Cost of sales		(12,225,980)	(10,457,383)
Gross profit		3,566,270	2,247,594
Administrative expenses		(3,327,322)	(1,996,516)
Other operating income	3	4,830	113,623
Operating profit	4	243,778	364,701
Interest receivable and similar income	9	336	875
Interest payable to group undertakings	8	-	(24,250)
Other interest payable and similar expenses	8	(2,928)	-
Profit before taxation		241,186	341,326
Tax on profit	10	(112,126)	(85,447)
Profit for the financial year		129,060	255,879

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 15 to 33 form part of these financial statements.

SPENCER PRIVATE HOSPITALS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	£	£
Profit for the year	129,060	255,879
Other comprehensive income	-	-
Total comprehensive income for the year	<u>129,060</u>	<u>255,879</u>

The notes on pages 15 to 33 form part of these financial statements.

SPENCER PRIVATE HOSPITALS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Intangible assets	11		4,546		6,220
Tangible assets	12		4,266,075		4,339,276
			<u>4,270,621</u>		<u>4,345,496</u>
Current assets					
Stocks	13	106,535		29,014	
Debtors	14	1,545,965		2,373,718	
Cash at bank and in hand		5,433,930		1,931,127	
		<u>7,086,430</u>		<u>4,333,859</u>	
Creditors: amounts falling due within one year	15	(5,465,398)		(2,979,343)	
Net current assets			<u>1,621,032</u>		<u>1,354,516</u>
Total assets less current liabilities			5,891,653		5,700,012
Creditors: amounts falling due after more than one year	16		(895,142)		(889,464)
Provisions for liabilities	20		(184,739)		(127,836)
Net assets			<u>4,811,772</u>		<u>4,682,712</u>
Capital and reserves					
Called up share capital	21		560,000		560,000
Revaluation reserve	22		2,602,994		2,602,994
Profit and loss reserves	23		1,648,778		1,519,718
Total equity			<u>4,811,772</u>		<u>4,682,712</u>

The financial statements were approved by the board of directors and authorised for issue on 20 October 2022 and are signed on its behalf by:

D Daw
Director

Company Registration No. 03130118

The notes on pages 15 to 33 form part of these financial statements.

SPENCER PRIVATE HOSPITALS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 April 2020	560,000	2,602,994	1,263,839	4,426,833
Year ended 31 March 2021:				
Profit and total comprehensive income for the year	-	-	255,879	255,879
Balance at 31 March 2019	560,000	2,602,994	1,519,718	4,682,712
Year ended 31 March 2022:				
Profit and total comprehensive income for the year	-	-	129,060	129,060
Balance at 31 March 2022	560,000	2,602,994	1,648,778	4,811,772

The notes on pages 15 to 33 form part of these financial statements.

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Company information

Spencer Private Hospitals Limited, the "company", is a private company limited by shares incorporated in England and Wales. The registered office is Units 1 & 3 Almond House, Betteshanger Road, Betteshanger, Deal, Kent, CT14 0EN.

The principal activity of the company continues to be the provision of private hospital services within east Kent.

1.1 Accounting convention

Basis of preparation of financial statements

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 amounts 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.

Financial reporting standard 102 – reduced disclosure exemptions

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 3 'Financial Statement Presentation' paragraph 3.17(d);
- Section 11 'Basic Financial Instruments' paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- Section 12 'Other Financial Instruments' paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of East Kent Hospitals University NHS Foundation Trust. These consolidated financial statements are available from its registered office, Trust Offices, Kent & Canterbury Hospital, Ethelbert Road, Canterbury, Kent, CT1 3NG.

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

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.

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

The 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 is acknowledged that under normal trading arrangements a proportion of the Company's turnover stems from the Trust.

The Directors have reviewed the commercial performance of the Company and the risk to the business regarding returning to normal operations post Covid-19, considering severe but plausible scenarios. The Directors have considered the strong relationship with the ultimate parent in regard to providing services, including theatre access, pathology and diagnostic services, the resumption of service provision to NHS Kent and Medway Integrated Care Board (formally Kent and Medway CCG) as of 1st April 2022, the transfer of patients from the NHS Trust through the Inter Provider Transfer route, the provision of overflow beds to the Trust during a period of high demand, the continuation of the community eye contract and the increased demand for private healthcare services since April 2022. Having considered these factors the Directors have reasonable expectations that the risks derived from this type of event can reasonably be regarded by the Directors as manageable business risks.

The Directors have reviewed the financial forecasts together with the underlying assumptions under which they have been prepared, up to the end of October 2023. The Directors have satisfied themselves that the assumptions are fair and reasonable and reflect the prospects for the business.

Whilst all expectations of the future are inherently uncertain due to the current circumstances, after making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis.

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 is recognised at the fair value of the consideration received for those healthcare services provided in the normal course of business. Recognition of revenue & related costs is based on the date the service is provided.

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

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 fair 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
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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 five years, in line with the policies of the ultimate parent company, East Kent Hospital University NHS Foundation Trust.

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 40.96 years
Plant and equipment	over 5 to 10 years depending on asset category
Motor vehicles	over 5 years

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.

1.6 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.

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.

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

1.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities.

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.

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.

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

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

Basic financial liabilities, including trade and other creditors, loans from group undertakings and other loans 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.

Derecognition of financial liabilities

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

1.10 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.

1.11 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.

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.12 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.

1.13 Retirement benefits

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

1.14 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 profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leases asset are consumed.

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.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability. Grant income is not deducted from the related expense.

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

2 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.

Estimation uncertainty - assessing the indicators of impairment

The Company considers whether leasehold land and building are impaired. Where an indication of impairment is identified, the recoverable value of the assets is estimated. Revaluation of leasehold land and buildings is carried out regularly, up to every five (previously four) years. In the prior year, the basis for the fair value determination including the necessary estimates involved is the valuation by independent real estate valuation experts using recognised valuation techniques. The fair value is assessed by using market-based evidence for similar properties sold in the local area. No valuation was carried out in the current year. After considering the local market, the Directors believe that the fair value of the properties did not materially change since prior year and remains appropriate.

At 31 March 2022 the carrying value of leasehold land and building was £3,931,130 (2021: £4,034,785).

Critical judgement in applying the entity's accounting policies - Valuation of group loan balances

At the end of the reported accounting period an agreement was in place to reduce the balance of loans from group undertakings from £889,914 to £529,187 on the winding down of and transfer of assets of Healthex Ltd to East Kent Hospital University NHS Foundation Trust. However, as at the time of signing the financial statements the formal transfer of assets had not yet been completed, the balances on the old loans for a total value of £889,914 have been recognised in full.

Critical judgement in applying the entity's accounting policies – Classification of indirect staff costs

During the year, indirect staff costs have been classified and presented as administrative expenses. For the year ended 31 March 2021, these costs were classified as cost of sales due to the unique circumstances during that year where these costs were included in the calculation of revenue recognised.

Critical judgement in applying the entity's accounting policies – Classification of debtor credit balance

A debtor credit balance with a value of £1,386,442 has been classified as Other Creditors in the Financial Statements. Although it is expected that this credit will be offset against future sales, it has not been classified as Deferred Income as technically the debtor has the right to request repayment in cash.

The directors concluded that there are no other critical judgements made in applying the Company's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the statutory accounts.

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

3 Turnover and other operating income

An analysis of the company's turnover is as follows:

	2022 £	2021 £
Turnover analysed by class of business		
Rendering of services	15,792,250	12,704,977
	<u>15,792,250</u>	<u>12,704,977</u>
	2022 £	2021 £
Other operating income		
Grants received	-	108,795
Other income	4,830	4,830
	<u>4,830</u>	<u>4,830</u>

Government grants represent amounts received in respect of the Coronavirus Job Retention Scheme and are recognised as the amounts become due.

	2022 £	2021 £
Turnover analysed by geographical market		
United Kingdom	15,792,250	12,704,977
	<u>15,792,250</u>	<u>12,704,977</u>

4 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	172,420	155,455
Depreciation of tangible fixed assets held under finance leases	9,438	-
Loss on disposal of tangible fixed assets	22,215	2,743
Amortisation of intangible assets	1,673	2,092
Operating lease charges	122,885	119,515
	<u>328,631</u>	<u>279,805</u>

5 Auditor's remuneration

	2022 £	2021 £
Fees payable to the company's auditor and associates:		
For audit services		
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	43,260	37,920
	<u>43,260</u>	<u>37,920</u>

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

6 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	226,193	172,950
Company pension contributions to defined contribution schemes	7,969	7,248
	<u>234,162</u>	<u>180,198</u>

The number of directors, who are also the key management personnel, for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021 - 1).

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

	2022 £	2021 £
Remuneration for qualifying services	124,760	124,846
Company pension contributions to defined contribution schemes	7,969	7,248
	<u>132,729</u>	<u>132,094</u>

7 Employees

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

	2022 Number	2021 Number
Management	11	13
Administration and clerical	58	56
Nursing and clinical	51	63
Hotel services	15	17
	<u>135</u>	<u>149</u>

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	3,601,412	3,808,706
Social security costs	333,316	353,338
Pension costs	89,418	94,445
	<u>4,024,146</u>	<u>4,256,489</u>

Additionally agency staff costs of £1,500,004 (2021: £509,635) and self-employed staff costs of £190,641 (2021: £119,113) were incurred.

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

8 Interest payable and similar expenses

	2022	2021
	£	£
Interest payable to group undertakings	-	24,250
Interest on finance leases and hire purchase contracts	2,928	-
	<u>2,928</u>	<u>24,250</u>

Disclosed on the profit and loss account as follows:

Interest payable to group undertakings	-	24,250
Other interest payable and similar expenses	2,928	-
	<u>2,928</u>	<u>24,250</u>

9 Interest receivable and similar income

	2022	2021
	£	£
Interest income		
Interest on bank deposits	336	875
	<u>336</u>	<u>875</u>

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

10 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	55,223	67,400
Deferred tax		
Origination and reversal of timing differences	8,504	18,047
Changes in tax rates	42,296	-
Adjustment in respect of prior periods	6,103	-
Total deferred tax	56,903	18,047
Total tax charge	112,126	85,447

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
Profit before taxation	241,186	341,326
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	45,825	64,852
Tax effect of expenses that are not deductible in determining taxable profit	4,233	1,175
Depreciation in excess of capital allowances	5,165	1,373
Deferred tax	56,903	18,047
Taxation charge for the year	112,126	85,447

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

11 Intangible fixed assets

	Goodwill £	Software £	Total £
Cost			
At 1 April 2021	37,642	70,682	108,324
Disposals	-	(24,096)	(24,096)
At 31 March 2022	37,642	46,586	84,228
Amortisation and impairment			
At 1 April 2021	37,642	64,462	102,104
Amortisation charged for the year	-	1,673	1,673
Released on disposals	-	(24,095)	(24,095)
At 31 March 2022	37,642	42,040	79,682
Carrying amount			
At 31 March 2022	-	4,546	4,546
At 31 March 2021	-	6,220	6,220

12 Tangible fixed assets

	Leasehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 April 2021	4,345,753	1,014,623	-	5,360,376
Additions	-	113,448	17,424	130,872
Disposals	-	(190,207)	-	(190,207)
At 31 March 2022	4,345,753	937,864	17,424	5,301,041
Depreciation and impairment				
At 1 April 2021	310,968	710,132	-	1,021,100
Depreciation charged in the year	103,655	68,765	9,438	181,858
Eliminated in respect of disposals	-	(167,992)	-	(167,992)
At 31 March 2022	414,623	610,905	9,438	1,034,966
Carrying amount				
At 31 March 2022	3,931,130	326,959	7,986	4,266,075
At 31 March 2021	4,034,785	304,491	-	4,339,276

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

12 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.

	2022 £	2021 £
Motor vehicles	7,986	-

Land and buildings with a carrying amount of £4,034,785 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. After considering the local market, the Directors believe that the fair value of the properties did not materially change since prior year and remain appropriate.

Leasehold land and buildings are carried at valuation. If leasehold land and buildings were measured using the cost model, the total amounts included would have been as follows:

	2022 £	2021 £
Cost	3,057,540	3,057,540
Accumulated depreciation	(1,675,464)	(1,571,809)
Carrying value	1,382,076	1,485,731

13 Stocks

	2022 £	2021 £
Finished goods and goods for resale	106,535	29,014

There is no significant difference between the replacement cost of the inventory and its carrying amount.

The carrying value of stocks are stated net of impairment losses totalling £NIL (2021 - £NIL). Impairment losses totalling £NIL (2021 - £NIL) were recognised in profit and loss.

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

14 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	11,136	689,393
Amounts owed by group undertakings	661,443	712,174
Other debtors	3,947	14,986
Prepayments and accrued income	869,439	957,165
	<u>1,545,965</u>	<u>2,373,718</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Amounts owed by group undertakings of £712,174 at 31 March 2021 have been reclassified from trade debtors for consistency with the current year presentation. This reclassification had no effect on the reported results of operations for the year ended 31 March 2021 or on total debtors included in the balance sheet at 31 March 2021.

15 Creditors: amounts falling due within one year

	Notes	2022	2021
		£	£
Other loans	18	450	450
Obligations under finance leases	17	2,525	-
Trade creditors		792,455	593,563
Amounts due to group undertakings		1,295,653	982,149
Corporation tax		55,224	67,400
Other taxation and social security		95,588	94,635
Other creditors		2,045,676	758,431
Accruals and deferred income		1,177,827	482,715
		<u>5,465,398</u>	<u>2,979,343</u>

The balance of other creditors at 31 March 2022 includes a total of £1,863,715 relating to debtor credits.

Amounts owed to group undertakings of £982,149 at 31 March 2021 have been reclassified from trade creditors for consistency with the current year presentation. This reclassification had no effect on the reported results of operations for the year ended 31 March 2021 or on total creditors falling due within one year included in the balance sheet at 31 March 2021.

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

16 Creditors: amounts falling due after more than one year

	Notes	2022 £	2021 £
Obligations under finance leases	17	5,678	-
Loans from group undertakings	18	889,464	889,464
		<u>895,142</u>	<u>889,464</u>

Analysis of the maturity of loans is given below:

	2022	2021
Amounts due within one year		
Other loans	450	450
Amounts falling due between one and five years		
Loans from group undertakings	389,996	389,996
Amounts falling due after more than five years		
Loans from group undertakings	499,468	499,468
	<u>889,914</u>	<u>889,914</u>

17 Finance lease obligations

	2022 £	2021 £
Future minimum lease payments due under finance leases:		
Within one year	2,525	-
In two to five years	5,678	-
	<u>8,203</u>	<u>-</u>

Finance lease payments represent rentals payable by the company for certain fixed assets. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Hire purchase contracts are secured on the assets to which they relate.

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

18 Borrowings

	2022 £	2021 £
Other loans	450	450
Loans from group undertakings	889,464	889,464
	<u>889,914</u>	<u>889,914</u>
Payable within one year	450	450
Payable after one year	<u>889,464</u>	<u>889,464</u>

The loan from group undertakings was from Healthex Limited and was repayable over 20 years until March 2028 and incurred interest of 5%. East Kent Hospitals University NHS Foundation Trust as the direct parent of Healthex Limited and the ultimate parent of Spencer Private Hospitals Limited was also party to the loan agreement. On 29 September 2020 Healthex Limited was dissolved, causing a default event. Therefore, the loan became immediately repayable to East Kent Hospitals University NHS Foundation Trust. East Kent Hospitals University NHS Foundation Trust entered into an interest waiver and payment break with Spencer Private Hospitals Limited on 1 November 2020. On 1 March 2021 a new loan agreement for £532,154 incurring interest of 3% plus Bank of England Base Rate repayable over 10 years was entered into with East Kent Hospitals University NHS Foundation Trust. However, due to an unsatisfactory winding up of Healthex Limited, actions have been taken by East Kent Hospitals University NHS Foundation Trust to restore Healthex Limited. Therefore the directors of Spencer Private Hospitals Limited and East Kent Hospitals University NHS Foundation Trust have agreed a long term liability for the original loan amount should be shown in the financial statements for the years ending 31 March 2021 and 31 March 2022 as whilst at the year-end Healthex Limited had been dissolved and a new loan agreement had been entered into, the actions taken to restore Healthex Limited could possibly require the reinstatement of the original loan liability with Healthex Limited. Both the existing and the proposed new arrangement are unsecured loans. Loans from group undertakings and other loans are unsecured.

19 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>89,418</u>	<u>94,445</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions totalling £16,878 (2021: £18,817) were payable to the fund at the balance sheet date and are included in creditors.

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

20 Provisions for liabilities - 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:

	2022	2021
	£	£
Balances:		
Accelerated capital allowances	184,739	127,836
	<u>184,739</u>	<u>127,836</u>
Movements in the year:		2022
		£
Liability at 1 April 2021		127,836
Charge to profit or loss		56,903
		<u>184,739</u>
Liability at 31 March 2022		<u>184,739</u>

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.

21 Share capital

	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	560,000	560,000	560,000	560,000
	<u>560,000</u>	<u>560,000</u>	<u>560,000</u>	<u>560,000</u>

Each £1 Ordinary share ranks pari passu with regard to voting and dividend rights.

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

22 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.

23 Profit and loss reserves

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

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

24 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:

	2022 £	2021 £
Within one year	120,678	122,301
Between two and five years	305,890	458,254
In over five years	409,393	412,031
	<u>835,961</u>	<u>992,586</u>

The above figures include a correction of the operating lease obligations for the year ending 31 March 2021. In the notes to the financial statements for the year ending 31 March 2021 operating lease obligations between two and five years had been overstated by £110,651 and operating lease obligations in over five years had been overstated by £92,500.

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:

	2022 £	2021 £
Within one year	4,829	4,829
Between two and five years	19,316	19,316
In over five years	338,030	342,859
	<u>362,175</u>	<u>367,004</u>

SPENCER PRIVATE HOSPITALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

25 Ultimate controlling party

Spencer Private Hospitals Limited was fully owned by Healthex Limited, whose registered address was The Spencer Wing, Ramsgate Road, Margate, Kent, CT9 4BG. On 29 September 2020 Healthex Limited was dissolved, with its assets passing to the Crown as 'bona vacantia' (ownerless property). Therefore, the shares of Spencer Private Hospitals as at the year end and at the point the financial statements were approved by the board are bona vacantia (ownerless property). At the time of the approval of the financial statements by the board, East Kent Hospitals University NHS Foundation Trust has obtained a court order to restore Healthex Limited and the company has been restored on Companies House. East Kent Hospitals University NHS Foundation Trust is in the process of taking the necessary steps to transfer the shares of Spencer Private Hospitals Limited from Healthex Limited to East Kent Hospitals University NHS Foundation Trust.

During the period which Spencer Private Hospitals Limited's shares have been bona vacantia (ownerless property), East Kent Hospitals University NHS Foundation Trust has continued to govern the financial and operating policies of Spencer Private Hospitals Limited so as to obtain benefit from its activities. The directors have assessed the situation and have concluded that the ultimate controlling party of Spencer Private Hospitals Limited is East Kent Hospitals University NHS Foundation Trust, whose registered office address is Trust Offices, Kent & Canterbury Hospital, Ethelbert Road, Canterbury, Kent, CT1 3NG.

East Kent Hospitals University NHS Foundation Trust is also the parent company of the largest and smallest group for which the group accounts are prepared. The consolidated accounts of the group can be found at the registered office address above.

26 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.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.