

**DR FOSTER LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**



DR FOSTER LIMITED

REGISTERED NUMBER:03812015

**COMPANY INFORMATION**

**Directors**

J Harries  
M Boyce  
M Williams

**Registered number**

03812015

**Registered office**

2nd Floor, Blue Fin Building  
110 Southwark Street London  
United Kingdom  
SE1 0TA

**Independent auditor**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

**DR FOSTER LIMITED**

**REGISTERED NUMBER:03812015**

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**DR FOSTER LIMITED****REGISTERED NUMBER:03812015****STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019****Introduction**

Dr Foster Limited is a London-based provider of clinical benchmarking, analytics, insight and quality improvement services to hospitals, commissioners and other healthcare organisations in the UK and Germany. The business works with healthcare organisations to achieve sustainable improvements in their performance through better use of data. The business model is B2B, with sales direct to Hospital Trusts (which provide healthcare) and Clinical Commissioning Groups (which buy healthcare from providers on behalf of defined populations).

The core capability of Dr Foster Limited involves taking hospital / commissioner/ patient level data, analysing it and delivering risk adjusted outcome measures and comparative analysis. This supports healthcare organisations in achieving sustainable improvements in their performance through better use of data and insight.

During the year, Dr Foster Limited employed an average of 69 employees between London and Nottingham offices, including statisticians, software engineers, sales and account managers and support staff.

The business operations can be divided into three key areas of operation:

- Core UK tool sales to hospital trusts and commissioning bodies.
- Provision of analytical and consultancy services.
- International.

**Review of the business**

	<b>2019</b>	<b>2018</b>	<b>Change</b>
	<b>£</b>	<b>£</b>	<b>%</b>
Turnover	5,915,270	6,497,204	(9%)
Operating (loss)	(5,310,774)	(520,570)	920%
Current assets as a % of current liabilities	67%	161%	(58%)
Average number of employees	69	67	3%

Turnover decreased by 9% mainly due to customer and price attrition of the existing product set while the business has been investing in new product offerings for both the UK and international markets. The business managed the cost base in line with lower revenues. The operating loss of £5.3m is in line with management expectation and reflects the impairment of an intercompany loan of £3.8m to the parent company Dr Foster Intelligence Ltd, plus investment in new products.

**Future developments**

In January 2020, an outbreak of a new strain of coronavirus, COVID-19, was identified in Wuhan, China. The virus has spread globally including to the UK and Europe and the World Health Organization (WHO) declared COVID-19 a pandemic on 11 March 2020. Governments, the UK government among them, have imposed restrictions to reduce the risk of further spread of the disease - closing borders, ordering home quarantine and cancelling public events. The data and analytical services supplied by Dr Foster remain key to the NHS, especially during the current crisis during which the Company has analysed available data relating to COVID-19, and created tools to help the NHS provide the best care for the population. The directors have assessed the impact of COVID-19 on the Company, including a review of: the customer base, customer contract terms and cash collection; procurement and supply chain; operations; staff working arrangements and capacity. Since the pandemic was declared and restrictions imposed, the Company has not experienced any significant reduction in revenues or cash collections from customers; its supply chain has been maintained and operations have not been significantly disrupted by the need for staff to work remotely. At present, the directors believe that the Company is well placed to continue without significant adverse operational or financial impact. Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19, the directors continue to monitor the situation closely and will regularly update their assessment of the impact of the pandemic.

**DR FOSTER LIMITED****REGISTERED NUMBER:03812015****STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019****Principal risks and uncertainties**

The principal risks and uncertainties facing the Company are broadly grouped as competitive, legislative and financial.

**Competitive Risks**

In the UK, the Company is at present reliant on the supply of national datasets provided by NHS Digital, who could in the future provide a basic version of Dr Foster software direct to the NHS. Management plan to mitigate this risk through local data collection and multiple data sets therefore making a more compelling proposition. The business model is reliant on the renewal of contracts with NHS bodies, providing a good service which is continually improved is key to remaining competitive in the market.

**Legislative Risks**

Excellence in information governance is at the heart of what Dr Foster does. The business has a legal and ethical responsibility to handle confidential and sensitive information carefully and securely, and the business is fully committed to doing that in a way that maximises its utility while preventing unauthorised or inappropriate use or disclosure. Dr Foster is respectful of the nature of the data the business works with, where it comes from and what it means for individuals and organisations.

Dr Foster has long-term knowledge and experience in handling confidential patient-level NHS data and operates under a range of UK and European Laws, associated codes of practice and international standards. The business meets all of the requirements set out by the NHS Information Governance Toolkit, the United Kingdom Data Protection Act 1998, and GDPR Europe's new framework for data protection laws and is ISO27001 accredited.

**Financial Risks**

The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of its performance objectives.

The objectives aim to limit undue counterparty exposure, ensure that sufficient working capital exists and to monitor the management of risk.

**Exposure to credit, liquidity and cash flow risk**

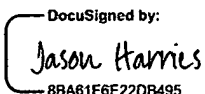
The principal credit risk arises from trade debtors which are primarily public sector bodies consequently with sovereign credit rating.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation through application of cash collection targets. The company can also draw upon a loan facility provided by the ultimate parent undertaking, Telstra Corporation Limited. This facility has recently been extended to £4.2 million with an option for the Company to further extend to £6.0 million if required.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variable rate debt. The Company has very limited exposure and consequently limited risk.

This report was approved by the board on and signed on its behalf.

DocuSigned by:



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**J Harries**

Managing Director

Date 25-Jun-2020

**DR FOSTER LIMITED**

**REGISTERED NUMBER:03812015**

**DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019**

The directors present their report and financial statements for the year ended 30 June 2019.

**Directors' responsibilities statement**

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS102.) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless they consider it to be inappropriate.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**Results and dividends**

The loss for the year, after taxation, amounted to £5,318,010 (30 June 2018: loss of £512,195). The directors do not recommend the payment of a dividend for the year (30 June 2018: £nil).

**DR FOSTER LIMITED****REGISTERED NUMBER:03812015****DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019****Directors**

The directors who served during the year ended 30 June 2019 and up to the date of signing of the financial statements, unless otherwise stated:

J Harries (appointed 29 November 2018)  
 M Boyce (appointed 30 November 2018)  
 M Williams (appointed 17 July 2019)  
 T Homer (resigned 31 May 2019)  
 M Gould (resigned 30 November 2018)  
 L Yeoh (resigned 30 November 2018)

**Going concern**

At 30 June 2019, the Company had net liabilities of £1,420,139, cash of £264,720, and net current liabilities of £1,736,385. The Company's cash is held with external banks. The Company meets its day to day working capital needs through cash generated from operations and by drawing upon a loan facility provided by the ultimate parent undertaking, Telstra Corporation Limited. This facility has recently been extended to £4.2 million with an option for the Company to further extend to £6.0 million if required. Telstra Corporation Limited has confirmed that this facility will remain available for a minimum period of 12 months from the date of these financial statements.

As of 31 May 2020, the Company's cash balance had not reduced compared to the balance at 30 June 2019. The Company's financial forecasts have been updated in the light of the COVID-19 pandemic and stress-tested for severe but plausible reductions in revenue. The directors are confident that the Company will remain within the limit of its available group loan facility, and able to continue in operation, in all reasonably foreseeable circumstances for a period of at least 12 months from the date of this report.

In its COVID 19 Update issued on 20 March 2020 and the Shareholder letter issued on 17 April 2020, Telstra Corporation Limited has described its response to the pandemic and illustrated its expected financial resilience: the Telstra Group's full year results for the year to 30 June 2020 are projected to be within the range indicated in the Half Year results published on 13 February 2020, remaining profitable and cash generative; the Group is bringing forward AUD \$500 million of capital expenditure from calendar 2021 into calendar 2020; a €500 million bond was priced and issued in April 2020 to strengthen the Group's balance sheet; as of April 2020 the Group has AUD \$3.6 billion of undrawn committed bank facilities; and both Moody's and S&P have reaffirmed their strong credit ratings. Based on this information and on enquiries, the directors believe that Telstra Corporation Limited has the ability to provide financial support to the Company through the loan facility for the foreseeable future.

Taking into account the position of the ultimate parent, and their assessment of the impact on the Company summarised in the Future developments section of the Strategic report, the directors are of the view, to the best of their current knowledge, that the Company has access to sufficient cash resources and that COVID-19 will not have a material adverse impact on the Company's ability to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**Post balance sheet events**

Other than as described in the Future developments section of the Strategic report in relation to COVID-19, there were no significant events after 30 June 2019 that required adjustment to or disclosure in the financial statements.

DR FOSTER LIMITED

REGISTERED NUMBER:03812015

**DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019**

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor**

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

and signed on its behalf.

DocuSigned by:

*Jason Harries*

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**J Harries**

Managing Director

Date 25-Jun-2020



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DR FOSTER LIMITED**

### **Opinion**

We have audited the financial statements of Dr Foster Limited for the year ended 30 June 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 21, 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 FRS 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 company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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 below. 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.

### **Emphasis of matter – Effects of COVID-19**

We draw attention to Notes 2 and 21 of the financial statements, which describe the economic and social consequences the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

### **Other information**

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DR FOSTER LIMITED (CONTINUED)**

### **Opinion 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 directors' report have been prepared in accordance with applicable legal requirements.

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

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 directors' report.

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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

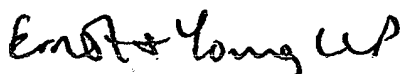
### **Auditor's responsibilities for the audit of the financial statements**

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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **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



Neil Cullum (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
Date: 25/6/2020

## DR FOSTER LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 £	2018 £
Turnover	4	5,915,270	6,497,204
Operating charges		(7,223,596)	(2,380,374)
Staff costs	6	(2,820,909)	(4,413,682)
Depreciation and amortisation		(1,181,539)	(223,718)
<b>Operating loss</b>	5	<u>(5,310,774)</u>	<u>(520,570)</u>
Interest receivable and similar income	8	1,876	962
Treasury Interest expense	8	(35,344)	(11,826)
<b>Loss before tax</b>		<u>(5,344,242)</u>	<u>(531,434)</u>
Taxation	9	26,232	19,239
<b>Loss for the financial year</b>		<u>(5,318,010)</u>	<u>(512,195)</u>
<b>Total comprehensive loss for the year</b>		<u>(5,318,010)</u>	<u>(512,195)</u>

## DR FOSTER LIMITED

REGISTEREDNUMBER:03812015

## STATEMENT OF FINACIAL POSITION AS AT 30 JUNE 2019

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Intangible assets	10	292,803	1,628,670
Tangible assets	11	<u>23,443</u>	<u>105,722</u>
		<u>316,246</u>	<u>1,734,392</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	3,288,630	5,351,848
Cash at bank	14	<u>264,720</u>	<u>347,743</u>
		<u>3,553,350</u>	<u>5,699,591</u>
Creditors: amounts falling due within one year	15	(5,289,735)	(3,542,649)
<b>Net current (liabilities) / assets</b>		(1,736,385)	2,156,942
<b>Total assets less current liabilities</b>		(1,420,139)	3,891,333
<b>Net (liabilities) / assets</b>		<u>(1,420,139)</u>	<u>3,891,334</u>
<b>Capital and reserves</b>			
Called up share capital	16	2,548	2,548
Share premium account	17	4,568,894	4,568,894
Share based payment	17	23,894	17,357
Capital redemption reserve	17	341,172	341,172
Profit and loss account	17	<u>(6,356,647)</u>	<u>(1,038,637)</u>
		<u>(1,420,139)</u>	<u>3,891,334</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by

DocuSigned by:

*Jason Harries*

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**J Harries**

Managing Director

Date 25-Jun-2020

The notes on pages 11 to 25 form part of these financial statements.

## DR FOSTER LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Called up share capital	Share premium account	Share based payment	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
<b>At 1 July 2017</b>	<u>2,548</u>	<u>4,568,894</u>	<u>9,384</u>	<u>341,172</u>	<u>(526,442)</u>	<u>4,395,556</u>
<b>Total comprehensive loss for the year</b>	-	-	-	-	(512,195)	(512,195)
<b>Share based payments</b>	-	-	7,973	-	-	7,973
<b>At 30 June 2018</b>	<u>2,548</u>	<u>4,568,894</u>	<u>17,357</u>	<u>341,172</u>	<u>(1,038,637)</u>	<u>3,891,334</u>
<b>Total comprehensive loss for the year</b>	-	-	-	-	(5,318,010)	(5,318,010)
<b>Share based payments</b>	-	-	6,537	-	-	6,537
<b>At 30 June 2019</b>	<u>2,548</u>	<u>4,568,894</u>	<u>23,894</u>	<u>341,172</u>	<u>(6,356,647)</u>	<u>(1,420,139)</u>

# DR FOSTER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. General information and principal activity

Dr Foster Limited is the UK's leading independent health service information provider. The company is a private company limited by shares and is incorporated in England. The address of its registered office is disclosed on the company information page.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with FRS 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying Dr Foster Limited's accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Exemptions for qualifying entities-under FRS 102

The company has taken advantage of the following exemptions on the basis that the equivalent disclosures are included in the consolidated financial statements of the group in which the company is consolidated:

##### a) Cash flow statement

Under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Telstra Corporation Limited, includes the company's cash flows in its own consolidated financial statements.

##### b) Financial instruments

Under FRS 102 paragraphs 11.39 to 11.48A, 12.26 to 12.29 of certain financial instrument disclosures.

##### c) Share based payments

Under FRS 102 paragraphs 26.1B(b), 26.19 to 26.21 and 26.23, the company can be exempt from certain disclosure requirements of Section 26 in respect of share based payments on the basis that the share based payment concerns equity instruments of another group entity, which is Telstra Corporation Limited.

##### d) Related Party Transactions

Under FRS 102 paragraphs 33.1(a) the company can be exempt from disclosure of transactions entered into between two or more members of a group provided that any subsidiary which is part to the transaction is wholly owned by such member.

## DR FOSTER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**2. Accounting policies (continued)****2.3 Exemptions for qualifying entities under FRS 102 (continued)****a) Related Party Transactions (continued)**

The company may take advantage of the disclosure exemptions on the basis that:

- (i) its shareholders have been notified and have not objected to the use of the exemptions;
- (ii) it otherwise applies the recognition, measurement and disclosure requirements of FRS 102;
- (iii) it is disclosed in the notes to its financial statements a brief summary of the disclosure exemptions adopted and the name of the parent of the group in whose consolidated accounts its financial statements are adopted and from where those financial statements may be obtained.

**b) Key Management Personnel**

Under FRS 102 paragraph 33(a) the company is exempt from disclosure of remuneration of key management personnel if the key management personnel are the same as the directors and the entity is subject to a legal or regulatory requirement to disclose directors' remuneration. This is the case for Dr Foster Limited.

**2.4 Going Concern**

At 30 June 2019, the Company had net liabilities of £1,420,139, cash of £264,720, and net current liabilities of £1,736,385. The Company's cash is held with external banks. The Company meets its day to day working capital needs through cash generated from operations and by drawing upon a loan facility provided by the ultimate parent undertaking, Telstra Corporation Limited. This facility has recently been extended to £4.2 million with an option for the Company to further extend to £6.0 million if required. Telstra Corporation Limited has confirmed that this facility will remain available for a minimum period of 12 months from the date of these financial statements.

As of 31 May 2020, the Company's cash balance had not reduced compared to the balance at 30 June 2019. The Company's financial forecasts have been updated in the light of the COVID-19 pandemic and stress-tested for severe but plausible reductions in revenue. The directors are confident that the Company will remain within the limit of its available group loan facility, and able to continue in operation, in all reasonably foreseeable circumstances for a period of at least 12 months from the date of this report.

In its COVID 19 Update issued on 20 March 2020 and the Shareholder letter issued on 17 April 2020, Telstra Corporation Limited has described its response to the pandemic and illustrated its expected financial resilience: the Telstra Group's full year results for the year to 30 June 2020 are projected to be within the range indicated in the Half Year results published on 13 February 2020, remaining profitable and cash generative; the Group is bringing forward AUD \$500 million of capital expenditure from calendar 2021 into calendar 2020; a €500 million bond was priced and issued in April 2020 to strengthen the Group's balance sheet; as of April 2020 the Group has AUD \$3.6 billion of undrawn committed bank facilities; and both Moody's and S&P have reaffirmed their strong credit ratings. Based on this information and on enquiries, the directors believe that Telstra Corporation Limited has the ability to provide financial support to the Company through the loan facility for the foreseeable future.

Taking into account the position of the ultimate parent, and their assessment of the impact on the Company summarised in Note 21 the directors are of the view, to the best of their current knowledge, that the Company has access to sufficient cash resources and that COVID-19 will not have a material adverse impact on the Company's ability to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## DR FOSTER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**2. Accounting policies (continued)****2.5 Revenue**

Turnover represents the amounts (exclusive of VAT) derived from the provision of services to customers in the period.

Income derived from the provision of management information is recognised over the period of the contract on a straight line basis. Income derived from other activities is recognised to the extent that identifiable work has been performed in relation to each contract in the period and a right to consideration obtained.

**2.6 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Development expenditure	4 years
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All intangible assets are considered to have a finite useful life not exceeding five years.

**2.7 Impairment of non-financial assets**

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes

**2.8 Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold improvements	- straight line over the period of the lease
Fixtures and fittings	- straight line over 10 years
Computer equipment	- straight line over 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.



## DR FOSTER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**2. Accounting policies (continued)****2.9 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.10 Foreign currency translation**

The Company's functional and presentational currency is pounds sterling.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

**2.11 Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

**DR FOSTER LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019****2. Accounting policies (continued)****2.12 Operating leases: the company as lessee**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the Company's benefit from the use of the leased asset.

**2.13 Pensions****Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

**2.14 Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

**2.15 Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**DR FOSTER LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019****2. Accounting policies (continued)****2.16 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- a) The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- b) Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**2.17 Research and development**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which is four years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**3. Judgments and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 13.

## DR FOSTER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

## 4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Revenue from Core UK Tool sales	5,162,735	5,896,440
Revenue from analytical & consultancy services	426,055	262,177
Revenue from International services	326,480	338,586
	<u>5,915,270</u>	<u>6,497,204</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	5,588,790	6,158,617
Rest of Europe	312,367	252,500
Rest of the world	14,113	86,086
	<u>5,915,270</u>	<u>6,497,204</u>

## 5. Operating loss / profit

The operating loss / profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	123,337	223,718
Amortisation of intangible assets	1,058,202	-
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	47,000	45,000
Foreign exchange (gain)/loss	(2,039)	5,117
Operating charges - other	<u>85,110</u>	<u>113,212</u>

## DR FOSTER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

## 6. Staff costs

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	2,217,168	3,802,579
Social security costs	444,016	475,033
Cost of defined contribution scheme	159,725	136,069
	<u>2,820,909</u>	<u>4,413,682</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019	2018
Average Number of Employees	<u>69</u>	<u>67</u>

## 7. Directors' remuneration

	2019 £	2018 £
Remuneration	114,359	-
Pension contributions	5,688	-
Directors' remuneration	<u>120,047</u>	<u>-</u>

Certain directors were remunerated by other companies in the Telstra Group. In the opinion of the directors, it is not practicable to apportion their remuneration between qualifying services provided to the Company and services provided to other companies in the Telstra Group. No director received or exercised share options during the financial period.

## DR FOSTER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

## 8. Interest received / payable and similar income / expense

	2019 £	2018 £
Interest receivable and similar income	1,876	962

	2019 £	2018 £
Treasury Interest expense	(35,344)	(11,826)

## 9. Taxation

	2019 £	2018 £
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	(28,166)	(21,502)
Adjustment in respect of previous periods	1,934	-
Change in UK corporation tax rate	-	2,263
<b>Total deferred tax</b>	<b>(26,232)</b>	<b>(19,239)</b>
<b>Total taxation</b>	<b>(26,232)</b>	<b>(19,239)</b>

## Factors affecting tax (credit) / charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19% (year ended 30 June 2018 - 19%). The differences are explained below:

## DR FOSTER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

## 9. Taxation (continued)

	2019 £	2018 £
Loss before tax	<u>(5,344,242)</u>	<u>(531,434)</u>
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (12 months ended 30 June 2018 - 19%)	(1,015,406)	(100,972)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	720,110	2,272
Capital allowances for year in excess of depreciation	-	16,444
Group tax relief surrendered	263,816	60,754
Adjustments to tax charge in respect of prior periods	1,934	-
Changes in UK corporation tax rates	3,314	2,263
Other differences leading to an increase (decrease) in the tax charge	-	-
<b>Total tax charge/(credit) for the year</b>	<u>(26,232)</u>	<u>(19,239)</u>

## Factors that may affect future tax charges

Legislation enacted as of 30 June 2019 provided for a reduction in the UK corporation tax rate from 19% to 17% from 1 April 2020. Legislation has subsequently been substantively enacted to maintain the UK corporation tax rate at 19% from 1 April 2020. However, in these financial statements deferred tax has been measured using the legislation enacted as of 30 June 2019.

## DR FOSTER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

## 10. Intangible assets

	Development £	Product development in progress £	Total £
<b>Cost</b>			
At 1 July 2018	1,628,670	-	1,628,670
Additions	-	-	-
At 30 June 2019	<u>1,628,670</u>	<u>-</u>	<u>1,628,670</u>
<b>Amortisation</b>			
At 1 July 2018	-	-	-
At 30 June 2019	1,058,202	-	1,058,202
<b>Impairment</b>			
At 1 July 2018	-	-	-
At 30 June 2019	277,665	-	277,665
<b>Net book value</b>			
At 30 June 2018	<u>1,628,670</u>	<u>-</u>	<u>1,628,670</u>
At 30 June 2019	<u>292,803</u>	<u>-</u>	<u>292,803</u>



## DR FOSTER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

## 11. Tangible fixed assets

	Leasehold improvement £	Fixtures & Fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>				
At 1 July 2018	522,104	164,348	828,815	1,515,268
Additions	-	664	40,394	41,059
Disposals	-	-	-	-
At 30 June 2019	522,104	165,012	869,210	1,556,326
<b>Depreciation</b>				
At 1 July 2018	520,116	155,344	734,086	1,409,546
Charge for the year on owned assets	1,809	2,724	118,804	123,337
At 30 June 2019	521,925	158,069	852,890	1,532,883
<b>Net book value</b>				
At 30 June 2018	1,989	9,004	94,729	105,722
At 30 June 2019	180	6,944	16,320	23,443

## 12. Debtors

	2019 £	2018 £
Trade debtors	1,748,678	1,355,327
Amounts owed by group undertakings	-	2,785,723
Other debtors	184,685	185,076
Prepayments and accrued income	488,433	185,120
Deferred taxation (note 13)	866,834	840,602
	<u>3,288,630</u>	<u>5,351,848</u>

Included in amounts owed by group undertakings is a loan balance of £Nil (2018 - £3,782,606) due from Dr Foster Intelligence Limited, the company's immediate parent undertaking. This loan is interest free and is repayable on demand. The loan amount was fully impaired during the year.

## DR FOSTER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

## 13. Deferred taxation

	2019 £	2018 £
At beginning of year	840,602	821,363
Adjustment in respect of prior years	(1,934)	-
(Charged)/Credited to statement of comprehensive income	28,166	19,239
<b>At end of year</b>	<b>866,834</b>	<b>840,602</b>

The deferred tax asset is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	52,830	45,173
Tax losses carried forward	772,044	772,044
Other timing difference	41,960	23,385
	<b>866,834</b>	<b>840,602</b>

## 14. Cash at bank

	2019 £	2018 £
Cash at bank	264,720	347,743

## 15. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	662,783	727,999
Amounts owed to group undertakings	2,473,080	448,599
Other taxation and social security	323,932	201,433
Other creditors	82,032	70,083
Accruals and deferred income	1,747,908	2,094,535
	<b>5,289,735</b>	<b>3,542,649</b>

## DR FOSTER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

## 16. Share Capital

	2019 £	2018 £
<b>Shares classified as equity</b>		
<b>Authorised</b>		
1,000,000 Ordinary shares of £0.01 each	10,000	10,000
<b>Allotted, called up and fully paid</b>		
254,835 (2016 -254,835) Ordinary shares of £0.01 each	2,548	2,548

## 17. Reserves

## Share premium account

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

## Share Based Payment

Telstra Corporation employee dividend payments based on employee share allocation holdings.

## Capital redemption reserve

Capital redemption reserve records the nominal value of shares repurchased by the company.

## Profit and loss account

Profit and loss includes all current and prior period retained profits and losses.

## 18. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £159,726 (30 June 2018: £136,069). Contributions totaling £70,229 (30 June 2018: £61,816) were payable to the fund at the reporting date.

**DR FOSTER LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019****19. Commitments under operating leases**

At 30 June 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	211,169	286,489
Later than 1 year and not later than 5 years	802,441	-
	<u>1,013,610</u>	<u>286,489</u>

**20. Controlling party**

The company is a wholly owned subsidiary of Dr Foster Intelligence Limited, a company incorporated in the United Kingdom. The ultimate parent undertaking is Telstra Corporation Limited, a company incorporated in Australia.

Group financial statements are drawn up by Telstra Corporation Limited and may be obtained from: Corporate Secretary, Telstra Corporation Limited, 242 Exhibition Street, Melbourne, Victoria 3000, Australia.

**21. Post balance sheet events**

In January 2020, an outbreak of a new strain of coronavirus, COVID-19, was identified in Wuhan, China. The virus has spread globally including to the UK and Europe and the World Health Organization (WHO) declared COVID-19 a pandemic on 11 March 2020. Governments, the UK government among them, have imposed restrictions to reduce the risk of further spread of the disease - closing borders, ordering home quarantine and cancelling public events. The data and analytical services supplied by Dr Foster remain key to the NHS, especially during the current crisis during which the Company has analysed available data relating to COVID-19, and created tools to help the NHS provide the best care for the population. The directors have assessed the impact of COVID-19 on the Company, including a review of: the customer base, customer contract terms and cash collection; procurement and supply chain; operations; staff working arrangements and capacity. Since the pandemic was declared and restrictions imposed, the Company has not experienced any significant reduction in revenues or cash collections from customers; its supply chain has been maintained and operations have not been significantly disrupted by the need for staff to work remotely. At present, the directors believe that the Company is well placed to continue without significant adverse operational or financial impact. Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19, the directors continue to monitor the situation closely and will regularly update their assessment of the impact of the pandemic.

Other than as described above in relation to COVID-19, there were no significant events after 30 June 2019 that required adjustment to or disclosure in the financial statements.