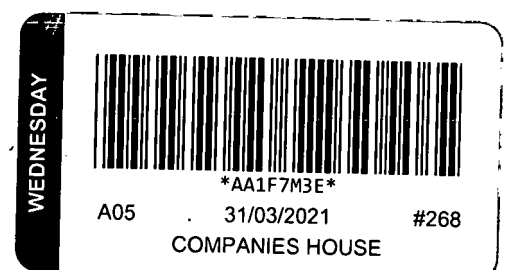


Company registered number: 04026992

General Healthcare Holdings (2) Limited

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



General Healthcare Holdings (2) Limited

Annual report and financial statements

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Strategic report for the year ended 31 March 2020

The directors present their Strategic report on the affairs of General Healthcare Holdings (2) Limited (“the Company”) for the year ended 31 March 2020. The Company is an indirect subsidiary of GHG Healthcare Holdings Limited, whose ultimate parent company is Circle Health Holdings Limited (“Circle”). Circle acquired GHG Healthcare Holdings Limited and its subsidiaries (“the Group”), on 8 January 2020 to become the largest independent hospital group in the UK (together “the Circle Group”).

The Company was incorporated in the United Kingdom on 4 July 2000 and is a holding company within the Group structure.

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

Change in ownership

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

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

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

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

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

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

Review of business performance

The directors do not consider it necessary to include any further key performance indicators, other than the current period results shown below, in order to understand the business. The directors expect that the present level of activity will be sustained for foreseeable future.

Results

The Company's loss after taxation for the year ended 31 March 2020 was £8 million (2019 profit: £484m). The directors did not pay a non-cash dividend during the period (2019: £1,110m).

Financial position

The Company's balance sheet as at 31 March 2020 showed equity of £130 million, compared with equity of £138 million as at 31 March 2019.

Covid-19 pandemic

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

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

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

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

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

Future developments

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

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

The Circle Transaction provides the Group with continued access to capital to continue the investment in the hospitals as well as developing new services to achieve growth in key markets.

Principal risks and uncertainties

The Companies Act 2006 requires all companies to disclose and discuss the principal risks and uncertainties that they face which, in most cases, are normal business risks. The Group manages risks through its committee structure, including governance committees, and through the use of a regularly updated and reviewed risk register, and risk mitigation across all levels is discussed and actioned on a regular basis by the directors.

As the role of the Company within the Group Structure is that of a holding company, it is deemed that it is not exposed to any principal risks and uncertainties, both financial and non-financial.

Exit from the European Union risk

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

Credit risk

The Company's principal financial assets are investments and receivables due from other group companies. The Company's credit risk is primarily attributable to these. The amounts presented in the balance sheet are net of any provisions made against these balances. The Company has some liquidity risk arising from loans payable to other group

Cash flow and liquidity risk

The Group, on behalf of the Company, manages liquidity risk by monitoring forecast and actual cash flows, and ensuring that adequate unutilised borrowing facilities are maintained to cover any short-term liquidity requirements.

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

Going concern

The Company's net assets were £130.5 million as at 31 March 2020 (2019: £138.0 million net assets). The Company's net current liabilities were £70.3 million (31 March 2019: £534.7 million). For further details please refer to note 8.

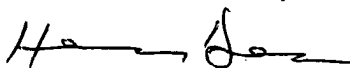
As a guarantor under the Circle Group borrowing facilities, the Company's going concern assessment is carried out alongside that of the Circle Group. Management of the Circle Group have prepared covenant and liquidity forecasts for the purpose of the going concern review and have also applied various sensitivities. These forecasts and sensitivities have been reviewed by the directors of the Company together with the underlying assumptions. The forecasts show that the Circle Group will comply with its financial covenant throughout the forecast period with appropriate headroom. The forecasts also show that the Circle Group has sufficient facilities to provide liquidity through the review period.

The directors have received a letter of support from a fellow group undertaking confirming that it will not demand repayment of the intercompany amounts owed by the Company in such a way as to cause the Company to be unable to meet their financial liabilities and obligations as they fall due for a period of no less than twelve months from the date of the approval of the financial statements, except as otherwise agreed by mutual consent.

After making enquiries, including reviewing the forecasts and sensitivities, the directors have concluded that they have a reasonable expectation that the Circle Group and the Company have adequate resources available to them, to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

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



Name: Henry Davies
Director

Date: 26th February 2021

Directors' report for the year ended 31 March 2020

The directors present their report on the affairs of the Company, together with the audited financial statements and auditor's report, for the year ended 31 March 2020.

Details of events affecting the Company since the financial year end, an indication of likely future developments in the business, financial risk management, a statement on going concern and proposed dividends have been included in the Strategic report and form part of this Directors' report by reference.

Principal activity

The Company was incorporated in the United Kingdom on 4 July 2000. The Company is a holding company which provides healthcare services through its subsidiary undertakings.

Dividends

No dividends were declared in the year (2019: £1.1bn).

Directors

The directors who served throughout the period, and subsequently, were as follows:

Henry Davies
Karen Prins

Directors' and officers' insurance

The Company has directors' and officers' insurance for the benefit of, amongst others, the directors of the Company, which is in place at the date of this report.

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor of the Company. The directors will propose a resolution concerning the future appointment of an auditor at the next appropriate Board meeting.

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

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

A handwritten signature in black ink, appearing to read 'Henry Davies', written over a horizontal line.

Name: Henry Davies
Director

Date: 26th February 2021

Statement of directors' responsibilities for the year ended 31 March 2020

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

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

**Independent auditor's report
to the members of General Healthcare Holdings (2) Limited**

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of General Healthcare Holdings (2) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 12.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of General Healthcare Holdings (2) Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the 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 respect of these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Independent auditor's report
to the members of General Healthcare Holdings (2) Limited (continued)**

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

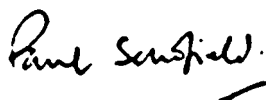
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

Date: 26th February 2021

**Statement of comprehensive income
for the year ended 31 March 2020**

		2020	2019
	Notes	£'000	£'000
Other income	3	-	486,571
Interest payable and similar expenses	5	(8,154)	(2,616)
(Loss)/profit before tax		(8,154)	483,955
Tax	4	631	-
(Loss)/profit for the year		(7,523)	483,955
Total comprehensive (loss)/income for the year attributable to the owners of the Company		(7,523)	483,955

The accompanying notes 1 to 12 are an integral part of this statement of comprehensive income.

General Healthcare Holdings (2) Limited

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Balance sheet
as at 31 March 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Investments	7	<u>200,712</u>	<u>672,712</u>
Current assets			
Creditors - amounts falling due within one year	8	<u>(70,260)</u>	<u>(534,737)</u>
Net current liabilities		<u>(70,260)</u>	<u>(534,737)</u>
Total assets less current liabilities		<u>130,452</u>	<u>137,975</u>
Net assets		<u>130,452</u>	<u>137,975</u>
Capital and reserves			
Called-up share capital	9	-	-
Retained earnings		130,452	137,975
Total shareholder funds		<u>130,452</u>	<u>137,975</u>

The financial statements were approved by the board of directors and authorised for issue on 25th February 2021.
They were signed on its behalf by:



Director: Henry Davies
Date: 26th February 2021

The accompanying notes form part of these financial statements.
The Company's registered number is 04026992.

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

	Note	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance as at 31 March 2018		<u>50</u>	<u>398,801</u>	<u>365,425</u>	<u>764,276</u>
Profit and total comprehensive income for the year		-	-	483,955	483,955
Capital reduction		(50)	(398,801)	398,851	-
Dividends paid on equity shares	6	-	-	(1,110,256)	(1,110,256)
Balance as at 31 March 2019		<u>-</u>	<u>-</u>	<u>137,975</u>	<u>137,975</u>
Loss and total comprehensive loss for the year		-	-	(7,523)	(7,523)
Balance as at 31 March 2020		<u>-</u>	<u>-</u>	<u>130,452</u>	<u>130,452</u>

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

1. General information

General Healthcare Holdings (2) Limited ("the Company") is a Company incorporated in the United Kingdom under the Companies Act 2006. The Company is a private Company limited by shares and is registered in England and Wales. The address of the Company's registered office is 1st Floor 30 Cannon Street, London EC4M 6XH, England, United Kingdom.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 1 and the Directors' Report on page 6.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Hospital Topco Limited. The group accounts of Hospital Topco Limited are available to the public and can be obtained as set out in note 10.

2. Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Hospital Topco Limited.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties, financial instruments and investment property that are measured at revalued amounts or fair values at the end of each reporting year, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Adoption of new and revised Standards

Impact of initial application of IFRS 16 Leases

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

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRSs that are mandatorily effective for the current period

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

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

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

2. Significant accounting policies (continued)

Adoption of new and revised Standards (continued)

Amendments to IFRSs that are mandatorily effective for the current period (continued)

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

Going concern

The financial statements have been prepared using the going concern basis of accounting.

The Company's net assets were £130.5 million as at 31 March 2020 (2019: £138.0 million net assets). The Company's net current liabilities were £70.3 million (31 March 2019: £534.7 million).

The directors have received a letter of support from a fellow group undertaking confirming that it will not demand repayment of the intercompany amounts owed by the Company in such a way as to cause the Company to be unable to meet their financial liabilities and obligations as they fall due for a period of no less than twelve months from the date of the approval of these financial statements, except as otherwise agreed by mutual consent.

As a guarantor under the Circle Group borrowing facilities, the Company's going concern assessment is carried out alongside that of the Circle Group. Management of the Circle Group have prepared covenant and liquidity forecasts for the purpose of the going concern review and have also applied various sensitivities. These forecasts and sensitivities have been reviewed by the directors of the Company together with the underlying assumptions. The forecasts show that the Circle Group will comply with its financial covenant throughout the forecast period with appropriate headroom. The forecasts also show that the Circle Group has sufficient facilities to provide liquidity through the review period.

After making enquiries of the directors of the Group and reviewing their forecasts (including the impact of the Covid-19 pandemic) and having considered the Company's financial position, the directors of the Company have concluded that they have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

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

2. Significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment. The investments are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss. The impairment loss is measured as difference between an investment's carrying amount and best estimate of the recoverable amount.

Financial assets and liabilities

All financial assets and liabilities are initially measured at cost. Financial assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

In the application of the Company's accounting policies, judgements, estimates and assumptions are required to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

There are no significant critical judgements or estimates that have been made in the process of applying the Company's accounting policies in the financial statements.

3. Other income

	2020 £'000	2019 £'000
Dividend Income	-	486,571

No dividends were received in the current year. In the prior year dividends were received from GHG Intermediate Holdings Limited (£389.7m) and General Healthcare Holdings (3) Limited (£96.9m).

The audit fees of £8,339 (2019: £8,018) for the audit of the Company's annual financial statements were borne by another group undertaking in both periods. There were no employees of the Company in either period and the directors received no emoluments during the current period or preceding year.

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

4. Tax on (loss)/profit

	2020 £'000	2019 £'000
The tax charge is based on the (loss)/profit for the year and comprises:		
Corporation tax at 19% (2019: 19%)	(341)	-
Over provision in prior years	(291)	-
	<u>(631)</u>	<u>-</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of corporation tax to the (loss)/profit before tax is as follows:

(Loss)/profit before tax	<u>(8,154)</u>	<u>483,955</u>
Tax on (loss)/profit at standard UK corporation tax rate of 19% (2019: 19%)	(1,549)	91,951
Effects of:		
Expenses not deductible for tax purposes	(3)	-
Dividends	-	(92,449)
Tax losses carried forward	1,212	498
Adjustment to tax charge in respect of previous periods	(291)	-
Total tax charge for period	<u>(631)</u>	<u>-</u>

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

5. Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest payable to GHG Opco Bidco Limited	7,288	2,616
Interest payable on intercompany loan	866	-
	<u>8,154</u>	<u>2,616</u>

The loan to GHG Opco Bidco Limited was extinguished during the year. It was subject to interest of 14.44% and is repayable on demand. GHG Opco Bidco Limited is no longer a group member, as of the Circle Group acquisition on 8 January 2020, as described in the Strategic report.

In the current year, the Company received loans of £36.4m and £25.2m from a company within the Circle Group. These loans are subject to interest of 7.75% and 4.00% respectively; and are repayable on demand.

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

6. Dividends on equity shares

	2020 £'000	2019 £'000
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Amounts recognised as distributions to equity holders in the year:

Non-cash dividend of 2,220,467p per ordinary share	-	1,110,256
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No dividends were declared in the year. During the year ended 31 March 2019 the dividend declared was £1,110.3 million.

7. Investments

	2020 £'000	2019 £'000
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The following are included in the net book value of fixed asset investments:

Subsidiary undertakings	200,712	672,712
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Subsidiary undertakings:

	£'000
Cost and carrying amount	
As at 31 March 2019	672,712
Settlement of preference shares for General Healthcare Holdings (3) Limited	(472,000)
As at 31 March 2020	200,712

The Company owns 100% of the ordinary share capital in General Healthcare Holdings (3) Limited and GHG Intermediate Holdings Limited, both companies are incorporated in the United Kingdom. Dividends were received in the year resulting in a recovery of the investment.

The final steps of the corporate simplification exercise, discussed in the prior year's strategic report, were completed early in the year whereby the investment in the Company's subsidiary was realised through a further distribution in specie. This was settled by way of elimination of intercompany balances.

All subsidiaries have their registered office at BMI Healthcare Limited, 1st Floor, 30 Cannon Street, London EC4M 6XH, United Kingdom.

Please refer to note 11 for a list of the Company's investments.

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

8. Creditors - amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed to group undertakings	8,613	532,121
Amounts owed to Circle Health 4 Limited on intercompany loan	61,647	2,616
Amounts owed to group undertakings	<u>70,260</u>	<u>534,737</u>

The final steps of the corporate simplification exercise, discussed in the prior years strategic report, were completed early in the year whereby the investment in the Company's subsidiary was realised through a further distribution in specie. This was settled by way of elimination of intercompany balances.

In the current year, the Company received loans of £36.4m and £25.2m from Circle Health 4 Limited. These loans are subject to interest of 7.75% and 4.00% respectively; and are repayable on demand.

The loans from group undertakings are unsecured, interest free and repayable on demand.

9. Share capital

	2020 £'000	2019 £'000
Authorised, allotted, called-up and fully paid:		
50,001 ordinary shares in aggregate value of £1	<u>-</u>	<u>-</u>

10. Controlling party

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

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

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

As a subsidiary undertaking of Circle Health Holdings Limited at the balance sheet date, the Company has taken advantage of the exemption in FRS 101 from disclosing transactions with other members of the group headed by Circle Health Holdings Limited.

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

11. Related undertakings

The Company has investments in the following subsidiary undertakings, associates and other investments. All undissolved subsidiary undertakings listed below have their registered offices at 1st Floor 30 Cannon Street, London, England EC4M 6XH, United Kingdom.

Direct subsidiaries

Name of subsidiary	Principal activity	Country of	Share class	Interest held
General Healthcare Holdings (3) Limited	Investment holding	United Kingdom	Ordinary shares	100%
GHG Intermediate Holdings Limited	Investment holding	United Kingdom	Ordinary shares	100%

Indirect subsidiaries

Name of subsidiary	Principal activity	Country of	Share class	Interest held
Bishopswood SPV Limited	Provision of healthcare services	United Kingdom	Ordinary shares	100%
BMI Healthcare Limited	Provision of healthcare services	United Kingdom	Ordinary shares	100%
BMI Hospital Decontamination Limited	Provision of decontamination services	United Kingdom	Ordinary shares	100%
BMI Syon Clinic Limited	Provision of healthcare services	United Kingdom	Ordinary shares	50%
General Healthcare Holdings (4) Limited	Investment holding	United Kingdom	Ordinary shares	100%
GHG (DB) Pension Trustees Limited	Pension funding	United Kingdom	Ordinary shares	100%
GHG Leasing Limited	Provision of healthcare services	United Kingdom	Ordinary shares	100%
North West Cancer Clinic Limited	Provision of healthcare services	United Kingdom	Ordinary shares	90%
Runnymede SPV Limited	Provision of healthcare services	United Kingdom	Ordinary shares	100%
South Cheshire SPV Limited	Provision of healthcare services	United Kingdom	Ordinary shares	100%
Meriden Hospital Advanced Imaging Centre Limited	Provision of healthcare services	United Kingdom	Ordinary shares	50%
BMI Southend Private Hospital Limited	Provision of healthcare services	United Kingdom	Ordinary shares	50%
BMI Imaging Clinic Limited	Provision of healthcare services	United Kingdom	Ordinary shares	50%
Three Shires Hospital LLP	Provision of healthcare services	United Kingdom	Ordinary shares	50%
The Pavilion Clinic Ltd	Provision of healthcare services	United Kingdom	Ordinary shares	51%
GHG Mount Alvernia Hospital Limited	Investment holding	United Kingdom	Ordinary shares	100%
Generale de Sante International Limited	Investment holding	United Kingdom	Ordinary shares	100%

12. Events after the reporting period

There were no events after the balance sheet date that have materially impacted upon the financial statements of the company.