

**Company Registration Number 03052242**

**Charity Number 1046624**

**HORDER HEALTHCARE**

**(A COMPANY LIMITED BY GUARANTEE)**

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2019**

# **HORDER HEALTHCARE**

## **LEGAL AND ADMINISTRATIVE INFORMATION**

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### **Board of directors**

The directors who served during the period were:

Mr P C Allen (retired 31 January 2019)  
Dr C E Bell  
Mrs S E Brown  
Mrs R Cunningham Thomas  
Mr S L Dance  
Ms J Ebert (appointed 6 June 2019)  
Mr P A Flamank  
Dr S J Grieve (Chair)  
Mrs A L Parker  
Mr P J Soer  
Mr J W Turner  
Dr R J Tyler (Chief Executive)  
Dr D W Yates

### **Company secretary**

Mr H I Hatfield

### **Chief executive**

Dr R J Tyler

### **Honorary President**

Following his retirement from the Board of Directors, Mr S C Gallannaugh was appointed as the 4th Honorary President of Horder Healthcare on 24th May 2018. The three previous Presidents were Lord Horder (1954), Edwina, Countess Mountbatten of Burma (1955), and HRH Princess Margaret (1960 – 2002). Mr Gallannaugh carried out the first hip replacement procedure at The Horder Centre in 1989 and became the first Surgical Director in 1993. He ceased clinical practice in 2005. This position is an honorary one and carries with it no official duties other than those as a member of the Company.

### **Registered office**

The Horder Centre  
St John's Road  
Crowborough  
East Sussex  
TN6 1XP

### **Professional advisor**

The charity's principal professional advisors include the following:

#### **Bankers**

Barclays Bank Plc  
1 Churchill Place  
London  
E14 5HP

#### **Independent auditor:**

RSM UK Audit LLP  
25 Farringdon Street  
London  
EC4A 4AB

# **HORDER HEALTHCARE**

## **LEGAL AND ADMINISTRATIVE INFORMATION**

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**Solicitor:**

Cripps LLP  
22 Mount Ephraim Road  
Tunbridge Wells  
Kent  
TN4 8AS

**Investment managers:**

Ruffer LLP (to January 2019)  
80 Victoria Street  
London  
SW1E 5JL

CCLA (to March 2019)  
Senator House  
85 Queen Victoria Street  
London  
EC4V 4ET

# HORDER HEALTHCARE

## BOARD OF DIRECTORS' REPORT AND STRATEGIC REPORT

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The Directors (who are also trustees of the charity for the purposes of the Charities Act) present their annual report together with the audited consolidated financial statements of Horder Healthcare (the Company) for the year ended 30 June 2019. The Board of Directors confirm that the Annual Report and financial statements of the Company comply with the current statutory requirements, the requirements of the company's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The report and statements also comply with the Companies Act 2006 as Horder Healthcare is a company limited by guarantee.

### Status

Horder Healthcare is a charity, founded in 1954, and operates two acute hospitals – The Horder Centre in East Sussex, a renowned provider of orthopaedic and musculoskeletal (MSK) services, and The McIndoe Centre in West Sussex, which focuses on plastic reconstructive and maxillo-facial surgery and ophthalmology and also does some MSK work. Services at The Horder Centre are supported by clinics located in Seaford and Eastbourne.

Horder Healthcare is a charitable company limited by guarantee established under a Memorandum of Association and governed by its Articles of Association. Horder Healthcare has two wholly owned subsidiary companies:

#### McIndoe Healthcare Services Limited

Prior to the acquisition of The McIndoe Centre in 2015, the previous owners had registered a number of companies in order to protect the McIndoe name – McIndoe BVI Limited, McIndoe Consultants Limited, McIndoe Cosmetic Limited, McIndoe Eyes Limited, McIndoe Hospital Limited, McIndoe International Limited and McIndoe TV Limited. Horder Healthcare brought these together under the umbrella of McIndoe Healthcare Services Limited (Company Registration Number 09846138), which was incorporated on 28 October 2015. The intermediate holding company and the seven subsidiary companies remain dormant and non-trading.

#### Horder MSK Limited

Horder MSK Limited (Company Registration No. 09182301) was incorporated on 19 August 2014. Horder MSK Limited participates in a not for profit consortium comprised of Sussex Community NHS Foundation Trust, Care Unbound Limited (trading as Here) and Sussex Partnership NHS Foundation Trust. The consortium (Sussex MSK Partnership) was formed to provide musculoskeletal services to the Clinical Commissioning Groups of Central and East Sussex.

Horder MSK Limited holds a 50% share in a joint venture, SMSKP2 Limited that holds the head contract to provide MSK services to the East Sussex CCGs of High Weald Lewes Havens and Eastbourne Hailsham & Seaford. Horder MSK Limited also holds a 50% share in a joint venture, SMSKP1 Limited, however this does not hold a head contract with any CCGs for service provision and does not trade. As SMSKP1 Limited is dormant and there are no plans for it to trade, an application to strike off SMSKP1 Ltd was made to companies House on 9 July 2019 with the first Gazette Notice for voluntary strike off issued 16 July 2019. Formal dissolution is expected to be completed in September 2019.

Based on this, these financial statements consolidate the results of the charitable company and of its wholly owned subsidiary Horder MSK Limited on a line by line basis together with its joint venture SMSKP2 Limited using the Equity method.

### Objective

Horder Healthcare's charitable purpose is to advance health, and the relief of patients suffering from ill health. Its mission is to be a leading provider of high quality healthcare services, demonstrably improving patients' health and striving to make a positive difference to people's lives. The Charity's vision is to demonstrate its purpose through the provision of outstanding healthcare, and support to the wider community through investment in training, research and community wellbeing.

# HORDER HEALTHCARE

## BOARD OF DIRECTORS' REPORT AND STRATEGIC REPORT

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The Directors have referred to the Charity Commission's general guidance on public benefit when reviewing the Company's vision and objectives and in planning future activities. In particular, the Directors consider how planned activities and the management of resources will provide maximum 'benefit'.

### **Board of Directors**

Under the Articles of Association, the Board of Directors (the Board) is elected by a vote of the current members.

The members of the Board who served during the year are set out on the Legal and Administrative Information page at the front of these financial statements.

In accordance with the Articles of Association, at the General Meeting on 30 November 2018 Mr P C Allen, Mrs S E Brown OBE, Mr P A Flamank and Dr S J Grieve retired from the Board and being eligible were re-elected. Mr P C Allen subsequently retired early in 2019.

Miss J C Ebert joined the Board on 6 June 2019.

Dr C E Bell and Mr S L Dance will retire by rotation at the next General Meeting and being eligible offer themselves for re-election. Mrs S E Brown OBE and Dr S J Grieve will also retire by rotation at the next General Meeting but will not be offering themselves for re-election. As a result of the retirement of Dr S J Grieve, a process is in train for the appointment of a new Chairman.

### **Directors and governance**

#### Appointment, training and induction

The Board may appoint replacement or additional directors at any time. There is a detailed Recruitment Policy in place, which describes the process for publishing the vacancy, the interview and selection process, and the steps taken prior to the new Director taking up their role. These include the completion of a Disclosure and Barring Service (DBS) check; completion of a 'Fit and Proper Person' Self-Declaration; and checks of the Bankruptcy Register, the Disqualified Directors' Register and the Register of Removed Trustees. Satisfactory references are also sought.

New Directors undergo a comprehensive induction, which includes time spent at each Horder Healthcare site, meetings with members of the Executive Team and the provision of an induction 'pack' of background and guidance documents.

Training to enhance skills and knowledge is encouraged for all Directors. Details of trustee training courses (new and refresher) are circulated together with other topics of interest.

The Board meets formally usually at least nine times a year in addition to the General Meeting, a strategy/planning day and any ad-hoc workshops and meetings. The Board is responsible for setting strategy and ensuring resources to achieve those strategic aims; monitoring the performance of the Executive Team; and overseeing and ensuring that robust governance and risk management systems are in place.

#### Board Committees

In addition to the Board meeting there are Remuneration, Finance and Resource, Audit and Clinical Governance committees in place which meet usually two or three times a year, each working within a constitution agreed by the main body.

# HORDER HEALTHCARE

## BOARD OF DIRECTORS' REPORT AND STRATEGIC REPORT

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### Executive Management

The Board has appointed a senior Executive Team to manage the activities of the Charity and to ensure that the Charity's operational plans are implemented. The Board has established a framework of delegated authority levels for these officers.

### Directors' Insurance

Horder Healthcare maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the charitable Company based on the indemnity limit of £10,000,000. The total premium paid during the year in relation to this policy was £4,256.

### **Our Performance**

The Charity continues to offer a wide range of services benefiting a significant number of people. At the end of the financial year 2019 6,874 procedures had been performed, 23,512 outpatient consultations made, and 46,143 physiotherapist and extended scope practitioner appointments held (including attendances at health and fitness classes) across Horder's four locations in Crowborough, East Grinstead, Eastbourne and Seaford.

Horder Healthcare continues to hold a number of NHS acute contracts with commissioners, providing a broad range of MSK services, through contractual arrangements and the Patient Choice mechanism. Horder Healthcare also holds contracts with Private Medical Insurance (PMI) companies in addition to providing services to self-paying patients.

Horder Healthcare has continued its high quality of service throughout 2018/19 with some of its key achievements including:

- Maintaining an "Outstanding" Care Quality Commission (CQC) rating for The Horder Centre, and a "Good" rating for The McIndoe Centre
- Higher than national average post-surgery outcome scores for Patient Related Outcome Measures (PROMS) for both hip and knee replacements
- Over 70% of patients experienced a significant improvement following MSK physiotherapy demonstrated by national outcome measures
- Maintaining its VTE (venous thromboembolism) exemplar status achieved at The Horder Centre
- 99.6% compliance with reporting to the National Joint Registry (NJR)
- 97% of inpatients and 99% of daycase patients rating their experience as very good or excellent at The Horder Centre\*
- 100% of inpatients and 99% of daycase patients rating their experience as very good or excellent at The McIndoe Centre\*
- 98.5% of inpatients and 99.2% of daycase patients are likely or very likely to recommend The Horder Centre to family and friends\*
- 100% of inpatients and 99.3% of daycase patients likely or very likely to recommend The McIndoe Centre to family and friends\*
- Continuation of a Clinical Fellowship for cosmetic/plastic surgery with the local NHS Trust to promote enhanced surgical training for doctors.

\*The results above marked \* relate to the period 1 April 2018 to 31 March 2019 and have been extracted from Horder Healthcare's Quality Account for 2019, with the percentages based on responses received. This document is published annually and describes Horder Healthcare's non-financial performance under the Care Quality Commission (CQC) domains of safe, caring, responsive, effective and well-led. A copy of this report can be obtained from our website, at

<https://www.horderhealthcare.co.uk/media/3232/horder-healthcare-quality-account-2019-2020.pdf>

# HORDER HEALTHCARE

## BOARD OF DIRECTORS' REPORT AND STRATEGIC REPORT

### Key Performance Indicators

Horder Healthcare monitors its performance using a wide range of indicators from across the business. As a healthcare provider, these include quality and outcome measures, as well as financial indicators. An example of these is shown below, with detailed quality indicators included in the previous section of this report.

Although there has been a drop in the number of outpatient consultations, there has been a marginal increase in the proportion of conversion to procedures. This is indicative of the effectiveness of the Sussex MSK service, whereby referral numbers have decreased but a greater number of patients referred go forward to surgery.

The drop in the number of procedures and the background to the financial results are explained in the Financial Review on the following page. It is pleasing to report that quality standards have remained high during another challenging year.

	2018/19	2017/18
<b>Activity</b>		
Number of Procedures	6,874	7,317
Outpatient Consultations	23,512	25,675
Physiotherapy Appointments	46,143*	36,322
<b>Quality</b>		
Patient Satisfaction Rate	99%	98%
Friends & Family Recommendation Rate	99%	99%
<b>Financial (£000)</b>		
Total Income	£29,159	£29,889
Net Surplus/(Deficit)	(£1,198)*	(£1,607)*
Capital Additions	£614	£4,033

\* This includes health and fitness class attendances, which were not accounted for in 2017/18.

# In-year trading deficit (excluding gains or losses on investments).

### Principal Risks and Uncertainties

Horder Healthcare recognises that risk management is an integral part of good management practice and is part of the organisation's culture. The Board has overall responsibility for ensuring systems and controls are in place, sufficient to mitigate any significant risks which may threaten the achievement of Horder Healthcare's organisational objectives.

Assurance is the bedrock of evidence that gives confidence that risk is being controlled effectively, or conversely, highlights that certain controls are ineffective or there are gaps that need to be addressed. It is important therefore that the scope of the assurances is set in the context of the organisation's strategic objectives:

1. Safe
2. Solvent
3. Sustainable

All staff have a responsibility for identifying actual or potential hazards and risks and reporting/escalating issues in accordance with the Risk Management Policy and Horder Healthcare's Incident Reporting Policy. Within Horder Healthcare, strategic risks are identified by the Board and Executive through horizon scanning.

Operational risks are identified from incidents or near misses reported on the Datix risk management system or from internal audits (e.g. health and safety, infection control), external audits (e.g. CQC, BSI, CCG, PLACE etc.) or risk assessments.

All risks have controls and assurances, or actions to put these in place, and are reviewed by our Risk Scrutiny Group. Risks are reviewed by the Executive team and also the Board.

# HORDER HEALTHCARE

## BOARD OF DIRECTORS' REPORT AND STRATEGIC REPORT

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Horder Healthcare has identified a number of key risks this year both internally and from the external environment. Internally we have seen an increase in risk to business interruption due to the potential loss of IT systems and cyber security. A significant piece of work has started, and will continue into the new financial year, to ensure that IT systems and infrastructure are robust, fit for purpose and future proofed, to mitigate this risk as far as possible.

The other key risk internally is lack of availability of clinical staff for recruitment. Although this has been well managed and safe staffing levels maintained, it remains a significant risk for the future.

Externally the decrease in NHS activity, particularly with MSK triage services in place with the explicit aim of reducing secondary care orthopaedic surgery, continues. This continues to have a significant impact on the financial position across Horder Healthcare.

Finally, the ongoing uncertainty regarding the outcome of Brexit continues to be of concern. Horder Healthcare has key contacts via the Independent Healthcare Partners Network (IHPN) and emergency planning networks to ensure business preparedness as far as possible, albeit with an uncertainty over timescales.

### Financial review

The overall financial plan for 2018/19 was to deliver a balanced budget as part of a five-year recovery plan following the challenges of 2017/18. For 2018/19 therefore, Horder Healthcare planned for a break-even budget comprising a planned £0.475m surplus at The Horder Centre (including MSK services); a planned £1.558m deficit at the McIndoe Centre; and supported by a financial recovery plan of £1.042m.

Despite the delivery of an improved financial recovery plan of £1.597m for the year, Horder Healthcare has posted a year-end deficit of £1.198m overall, which was driven by a further reduction in NHS income at The Horder Centre of £2.776m (16% of total NHS income value for the site). This reduction in NHS income was driven by a combination of on-going NHS austerity which has seen a relaxing of waiting time targets; the increasing impact of non-surgical MSK pathways; and the growing number of procedures considered to be of limited clinical value and therefore no longer funded by clinical commissioning groups (CCGs).

Whilst the overall position was disappointing, there were a number of areas of significant improvement. Despite the loss of £2.7m of NHS income, The Horder Centre moved from a trading deficit of £1.2m in 2017/18 to close to break-even with a deficit of £0.138m in 2018/19. Similarly, The McIndoe Centre posted a year-end deficit of £1.06m, £0.49m better than planned.

The improved position at each site was driven by a combination of growth and cost-control. Private patient income at The Horder Centre increased by 26% on 2017/18 levels, reflecting the increased organisational focus in this area and the growing self-pay market. By contrast, growth at The McIndoe Centre was driven by a mixture of increased levels of NHS income in support of the neighbouring Queen Victoria Hospital, and steady growth in private patient activity resulting from strategic investments in 2017/18.

In parallel, the financial recovery plan delivered £1.597m against a plan of £1.042m. The focus of the financial recovery plan was cost reduction, financial efficiencies and increasing income. Of the total delivered, 85% related to cost savings, with 15% relating to income initiatives. The largest, and most challenging scheme, resulted in the removal of 40 non-clinical posts totalling £0.842m. This was coupled with the closure of the Tunbridge Wells clinic as being non-financially viable, and increased cost controls across Horder Healthcare.

Horder Healthcare has a wholly owned subsidiary Horder MSK Limited. Horder MSK Limited has a 50% share in two joint ventures, SMSKP1 Limited and SMSKP2 Limited. SMSKP2 Limited holds the head contract to provide MSK services to the East Sussex CCGs of High Weald Lewes Havens and Eastbourne Hailsham & Seaford. Horder Healthcare, through Horder MSK Limited, shares the risk and reward in this contract with its Joint Venture partner.



# HORDER HEALTHCARE

## BOARD OF DIRECTORS' REPORT AND STRATEGIC REPORT

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The East Sussex MSK contract was awarded for five years with effect from April 2015. Under the terms of the contract, commissioners retained the option to extend the contract for a further two years from April 2020. In March 2019, commissioners offered SMSKP2 Limited a two year contract extension which was subsequently accepted. The contract will therefore run until March 2022.

With regard to the 50% share Horder MSK Limited holds in SMSKP1 Limited, this does not hold a head contract with any CCGs for service provision.

The aggregate amount of capital and reserves and the results for these joint ventures for the last relevant financial year were as follows:

	Capital and reserves 2019	Income for the year 2019
	£	£
SMSKP2 Limited	12,074	19,366
SMSKP1 Limited	4	-

The results of Horder MSK Limited have been consolidated into the Horder Healthcare financial statements on a line by line basis and those of the joint ventures accounted for using the Equity method.

### Future Developments

2019/20 represents the second year of a five-year recovery plan designed to return all areas of the business to financial balance. The focus remains on ensuring that the organisation is safe and sustainable.

Patient safety will continue to be our priority, together with an emphasis on quality improvement and the maintenance of high levels of patient satisfaction.

Highly performing staff are the key element in delivering safe, high quality services. In 2019/20, we will be focusing on our systems of recruitment, appraisal, training and staff engagement to ensure that we both recruit and retain the high quality staff that our patients have come to expect.

We remain committed to a process of continuous improvement. In 2019/20, we will be focusing on working with the NHS 'Getting it Right First Time' (GIRFT) programme. The programme, led by Professor Tim Briggs, focuses on quality improvement through evidence-based interventions. We are working with the GIRFT team to develop a set of quality indicators that will be shared across the independent healthcare sector, helping to improve standards and quality across the sector.

Alongside patient safety, we will continue to focus on financial improvement and longer-term sustainability. The 2019/20 budget includes a further financial recovery plan of £1.2m, driven by a balance of further efficiencies and income growth schemes.

Our priority in 2019/20 is the continued growth of private income. We are investing in an enhanced sales and marketing team to support targeted private growth across all service areas.

### Pay policy

The Remuneration Committee determines remuneration policy and practices with the aim of attracting, recruiting, motivating and retaining high calibre people. The Remuneration Committee makes reference to the external market ensuring that it is working within a framework which is legal, transparent, competitive, fair, affordable and providing value for money for the charity. The Remuneration Committee ensures that there is a clear link with performance. The Charity considers its key management personnel to be its Board of Directors and Senior Executive team. The remuneration for key management personnel is set annually in accordance with the pay policy, with any changes taking effect from 1 July each year.

# **HORDER HEALTHCARE**

## **BOARD OF DIRECTORS' REPORT AND STRATEGIC REPORT**

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### **Reserves policy**

Horder Healthcare's consolidated funds at June 2019 amounted to £63.9m, of which £55.7m is represented by buildings, other fixed assets and restricted funds, leaving unrestricted funds of £8.2m. £1.4m has been designated for CAPEX. Horder Healthcare's consolidated free reserves were therefore £6.8m, which is equivalent to just over 4 months of fixed costs. This level is considered to fall within a range acceptable to the Board. The charity's own funds exclude investments in subsidiary undertakings and joint ventures as set out in the financial statements and amount to £64.2m.

Horder Healthcare needs reserves to provide resilience if faced with a significant downturn in income or other adverse events. In considering the level of free reserves it should hold, it has regard to the future operating results adjusted for downside risk. It models the effect of possible reductions in income on gross contribution, particularly having in mind the continuing challenges facing the NHS on which Horder Healthcare depends for 70% of its income. In the longer term, it also needs to have free reserves to enable it to invest in its infrastructure and the development of its business.

Horder Healthcare reviews its reserves policy at least once a year.

### **Investment policy**

Horder Healthcare's Finance and Resource Committee (FRC) has responsibility for the development of an investment policy and the management of Horder Healthcare's investments, within the investment policy framework set by the Board. In discharging these responsibilities, the FRC will consider:

- The charity's attitude toward risk, investment returns and volatility
- Types of investments, including ethical considerations
- The management of investments e.g. setting benchmarks and targets by which investment performance will be judged
- The authorisation of investment decisions.

At the end of the last financial year funds were held with two investment managers – Ruffer and CCLA. The FRC, on behalf of the Board, considered the financial position of Horder and the Board's risk appetite for investments (very cautious), resulting in a recommendation to the Board that investments with both organisations be liquidated. All funds are now held in a bank deposit account and are subject to a Board-level agreed protocol for the use of the funds.

Horder Healthcare's Investment Policy was last updated in October 2018 and will next be reviewed by the FRC in November 2019. The FRC will continue to monitor the organisation's investment requirements, in accordance with the Investment Policy, reviewing if (and when) the Board may wish to consider re-investing, and may require independent investment advice.

### **Financial instruments**

The Charity operates on normal commercial terms with its suppliers and patients who are all in the UK.

The Charity operates in credit in its transactions with the Bank and thus is not exposed to interest rate risk with any borrowings from that source.

### **Disabled persons**

Horder Healthcare employs disabled persons when they are suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise. Managers work closely with the organisation's Occupational Health provider so that if an employee becomes ill or disabled while working at Horder Healthcare they can, where possible and with reasonable adjustment, continue in employment.

# **HORDER HEALTHCARE**

## **BOARD OF DIRECTORS' REPORT AND STRATEGIC REPORT**

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During employment, Horder Healthcare seeks to work with all employees, taking into account their personal circumstances, to ensure appropriate training, development and advancement opportunities are available to enable them to reach their full potential.

The number of disabled persons employed by the Company during the year was 5 (2018: 2).

### **Employee involvement**

To ensure full engagement with staff, Horder Healthcare recently conducted a staff survey, the key highlights from which were:

- 80% of staff understood how their role can contribute to the success of Horder Healthcare
- 84% understood the Charity's mission and charitable purpose
- 77% felt they were treated fairly and with respect
- 76% of staff felt they had received the necessary training to do their job
- 96% would recommend the services of Horder Healthcare
- 88% felt they were encouraged to focus on customer and patient needs.

Following the survey and to ensure full staff engagement, Horder Healthcare has committed to focus on three areas and has launched initiatives to ensure:

- Communication and Transparency
- Career Progression
- Reward and Recognition

### **Fundraising**

Although a charity, Horder Healthcare is not reliant on fundraising activities to raise money to fund its services. There are only a small number of fundraising activities undertaken each year, which account for less than 1% of total income. However, all donations the Charity receives are always greatly appreciated and sincere thanks go to all those who have supported Horder Healthcare in this way.

Our fundraising focus for 2018/19 was our pain management pathway, particularly for knee replacement patients. Although the procedure is effectively managed with medication, patients are often surprised that they still experience a certain degree of pain immediately after the operation. We have been exploring ways in which non-medical interventions may be used to complement drug-based therapies and hope to develop our pathway along these lines in 2019/20.

We also expanded our merchandise to increase the range of greeting cards, and introduced Easter cards for sale at our reception desks.

Fundraising activities in 2018/19 included the following:

- Sale of merchandise
- Trust applications
- Donations received
- Receipt of legacies and bequests
- Gift Aid
- Unity Lottery

Fundraising activities are managed by the Marketing Team and overseen by the Head of Commercial and Business Development, who reports directly to the Chief Executive. The Charitable Funds Committee, chaired by the Chief Executive, continues to oversee the collection and distribution of funds raised in this way.

# HORDER HEALTHCARE

## BOARD OF DIRECTORS' REPORT AND STRATEGIC REPORT

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Occasionally, individuals (e.g. ex-patients) will raise funds for Horder Healthcare by undertaking activities such as a sponsored walk, although this is not at the request of the organisation. No other third parties are involved in raising funds for, or on behalf of, the Charity (e.g. a professional fundraiser or commercial participator).

Regardless of the level of fundraising, Horder Healthcare still has an obligation to ensure its fundraising activities are conducted lawfully, ethically and with due regard to best practice. Fundraising activities are conducted in accordance with the Horder Healthcare's Fundraising Policy.

Horder Healthcare has received no complaints regarding its fundraising activities or practices during the year.

Horder Healthcare is aware of its responsibility to protect vulnerable people and other members of the public from inappropriate behaviour with regard to fundraising activities. This is an extension of the organisation's obligations as a healthcare provider, which are described in Horder Healthcare's safeguarding policies.

### Provision of information to auditors

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

- so far as each Director is aware, there is no relevant audit information of which the Group's auditors are unaware, and
- each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Group's auditors in connection with preparing their report and to establish that the Group's auditors are aware of that information.

### Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

This report and incorporated strategic report was approved by the Board of Directors on 26 September 2019 and signed on their behalf, by:



**Mr H I Hatfield**

**Secretary**

# **HORDER HEALTHCARE**

## **BOARD OF DIRECTORS' REPORT AND STRATEGIC REPORT**

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### **Statement of Directors' responsibilities**

The Directors (who are also trustees of the charity for the purposes of charity law) are responsible for preparing the Board of Directors' and Strategic reports and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable Company and Group and of the incoming resources and application of resources, including the income and expenditure, of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and charitable Company will continue in operation.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and charitable 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 Group and charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORDER HEALTHCARE**

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## **Opinion on financial statements**

We have audited the financial statements of Horder Healthcare Limited (the 'parent charitable Company') and its subsidiaries (the 'Group') for the year ended 30 June 2019 which comprise the Consolidated Statement of Financial Activities (including an income and expenditure account), the Consolidated and Charity Balance Sheets, the Consolidated and Charity Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 state of the Group's and the parent charitable Company's affairs as at 30 June 2019 and of the Group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

We 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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or parent charitable 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 trustees are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORDER HEALTHCARE**

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### **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 Board of Directors' Report and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Board of Directors' Report and the incorporated Strategic 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 Group and the parent charitable Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Board of Directors' and the incorporated Strategic Report.

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

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

### **Responsibilities of trustees**

As explained more fully in the Statement of Directors' responsibilities set out on page 12, the trustees (who are also the directors of the charitable Company for the purposes of company law) 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 trustees 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 trustees are responsible for assessing the Group's and parent charitable 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 trustees either intend to liquidate the Group or parent charitable 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 provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORDER HEALTHCARE

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### Use of our report

This report is made solely to the charitable 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 charitable 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 charitable Company and the charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Nicholas Sladden (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB  
United Kingdom

21 October 2019



# HORDER HEALTHCARE

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT)

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Unrestricted Funds 2019 £000	Restricted Funds 2019 £000	Total Funds 2019 £000	Total Funds 2018 £000
<b>Income from:</b>					
Donations and legacies	2	96	-	96	56
Charitable activities	4	27,355	-	27,355	28,234
Other trading activities	5	1,517	-	1,517	1,393
Investments	3	191	-	191	204
Share of surplus in joint venture	17	-	-	-	2
<b>Total</b>		<u>29,159</u>	<u>-</u>	<u>29,159</u>	<u>29,889</u>
<b>Expenditure on:</b>					
Raising funds	6	-	-	-	-
Charitable activities:					
Continuing activities	7	30,342	13	30,355	31,496
Other expenditure - exceptional items	9	-	-	-	4,129
		<u>30,342</u>	<u>13</u>	<u>30,355</u>	<u>35,625</u>
Share of deficit in joint venture	17	2	-	2	-
<b>Total</b>		<u>30,344</u>	<u>13</u>	<u>30,357</u>	<u>35,625</u>
Loss on investments	16	(133)	-	(133)	(14)
<b>Net expenditure and Net movement in funds</b>		<u>(1,318)</u>	<u>(13)</u>	<u>(1,331)</u>	<u>(5,750)</u>
<b>Total funds at 1 July</b>		<u>65,168</u>	<u>82</u>	<u>65,250</u>	<u>71,000</u>
<b>Total funds at 30 June</b>		<u><u>63,850</u></u>	<u><u>69</u></u>	<u><u>63,919</u></u>	<u><u>65,250</u></u>

# HORDER HEALTHCARE

## CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2019

Company No 03052242

	Notes	2019 £000	2018 £000
<b>Fixed assets</b>			
Intangible assets	14	120	220
Tangible assets	15	55,570	56,376
Listed investments	16	-	3,996
Programme related investments:			
Investment in joint venture	17	-	2
		<u>55,690</u>	<u>60,594</u>
<b>Current assets</b>			
Stock	18	679	771
Debtors	19	3,630	4,715
Investments	20	1,111	1,102
Cash at bank and in hand		<u>7,360</u>	<u>3,213</u>
		12,780	9,801
<b>Creditors: amounts falling due within one year</b>	21	<u>(4,551)</u>	<u>(5,145)</u>
<b>Net current assets</b>		<u>8,229</u>	<u>4,656</u>
<b>Net assets</b>		<u><u>63,919</u></u>	<u><u>65,250</u></u>
<b>Funds of the group</b>			
General		44,905	46,223
Revaluation reserve		18,945	18,945
Restricted by bequest		69	82
<b>Total funds</b>	27	<u><u>63,919</u></u>	<u><u>65,250</u></u>
Of which designated are:			
Fixed assets		55,690	56,596
CAPEX near and medium term		<u>1,393</u>	<u>1,225</u>
<b>Total designated funds</b>		<u>57,083</u>	<u>57,821</u>
Other funds		<u>6,836</u>	<u>7,429</u>

These financial statements were approved and authorised for issue by the Board of Directors on  
26 September 2019

  
Dr RJ Tyler  
Director

# HORDER HEALTHCARE

## CHARITY BALANCE SHEET

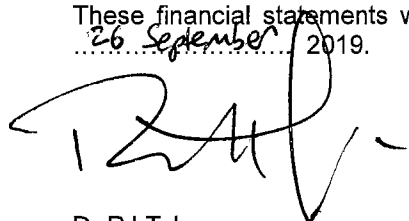
AS AT 30 JUNE 2019

Company No 03052242

	Notes	2019 £000	2018 £000
<b>Fixed assets</b>			
Intangible assets	14	120	220
Tangible assets	15	55,570	56,376
Investments	16	-	3,996
		<u>55,690</u>	<u>60,592</u>
<b>Current assets</b>			
Stock	18	679	771
Debtors	19	3,630	4,715
Investments	20	1,111	1,102
Cash at bank and in hand		<u>7,360</u>	<u>3,213</u>
		12,780	9,801
<b>Creditors: amounts falling due within one year</b>	22	<u>(4,301)</u>	<u>(4,895)</u>
<b>Net current assets</b>		8,479	4,906
		<u>64,169</u>	<u>65,498</u>
<b>Total assets less current liabilities</b>			
		<u>64,169</u>	<u>65,498</u>
<b>Funds of the charity</b>			
General		45,155	46,471
Revaluation reserve		18,945	18,945
Restricted by bequest		69	82
<b>Total funds</b>	27	<u>64,169</u>	<u>65,498</u>
Of which designated are:			
Fixed assets		55,690	56,596
CAPEX near and medium term		<u>1,393</u>	<u>1,225</u>
<b>Total designated funds</b>		57,083	57,821
Other funds		<u>7,086</u>	<u>7,677</u>

The consolidated net deficit for the year includes a net deficit of £1,329,000 (2018: net deficit of £5,502,000) which is dealt within the accounts of the parent Company. The parent has taken advantage of section 408 of Companies Act 2006 not to present its unconsolidated Statement of Financial Activities.

These financial statements were approved and authorised for issue by the Board of Directors on 26 September 2019.



Dr RJ Tyler  
Director

# HORDER HEALTHCARE

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 £000	2018 £000
<b>Cash inflow from operating activities:</b>			
Net cash provided by operating activities	31	716	2,093
		<u>716</u>	<u>2,093</u>
<b>Cash flows from investing activities:</b>			
Interest received		191	93
Purchase of intangible fixed assets		-	(1,577)
Purchase of tangible fixed assets		(614)	(2,456)
Purchase of fixed asset investments		(1,055)	(3,093)
Proceeds from sale of fixed asset investments		4,918	5,103
		<u>3,440</u>	<u>(1,930)</u>
<b>Net cash used in investing activities</b>		3,440	(1,930)
<b>Net increase in cash and cash equivalents</b>		4,156	163
Cash and cash equivalents brought forward		4,315	4,152
		<u>8,471</u>	<u>4,315</u>
Cash and cash equivalents carried forward		<u>8,471</u>	<u>4,315</u>
<b>Relating to:</b>			
Cash at bank and in hand		7,360	3,213
Investments		1,111	1,102
		<u>8,471</u>	<u>4,315</u>

# HORDER HEALTHCARE

## CHARITY STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 £000	2018 £000
<b>Cash inflow from operating activities:</b>			
Net cash provided by operating activities	32	716	2,093
		<u>716</u>	<u>2,093</u>
<b>Cash flows from investing activities:</b>			
Interest received		191	93
Purchase of intangible fixed assets		-	(1,577)
Purchase of tangible fixed assets		(614)	(2,456)
Purchase of fixed asset investments		(1,055)	(3,093)
Proceeds from sale of fixed asset investments		4,918	5,103
		<u>3,440</u>	<u>(1,930)</u>
<b>Net cash used in investing activities</b>		<b>3,440</b>	<b>(1,930)</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,156</b>	<b>163</b>
Cash and cash equivalents brought forward		4,315	4,152
		<u>4,315</u>	<u>4,152</u>
Cash and cash equivalents carried forward		<u>8,471</u>	<u>4,315</u>
<b>Relating to:</b>			
Cash at bank and in hand		7,360	3,213
Investments		1,111	1,102
		<u>8,471</u>	<u>4,315</u>

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

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#### 1 Accounting policies

##### **Legal status**

The charity is a private Company limited by guarantee and incorporated in England and Wales. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per voting member of the Charity.

The charity's objectives and aims are disclosed in the Board of Directors and Strategic Report.

##### **Accounting Convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the requirements of the Companies Act 2006 and under the historical cost convention, modified to include the revaluation of freehold land and buildings and to include certain financial instruments at fair value. The financial statements have also been prepared in accordance with the accounting policies set out in more detail below, to comply with the charity's governing document and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland published on 16 July 2014 (the FRS 102 Charities SORP 2015).

The financial statements are prepared in sterling, which is the functional currency of the charitable Company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The charity constitutes a public benefit entity as defined by FRS102.

##### **Going concern**

The Directors have reviewed the Group and Charity's forecasts and projections covering a period that exceeds twelve months from the date of signing these financial statements and based on the level of existing cash and estimated levels of Income and expenditure, the Directors are satisfied that the Group and Charity have adequate resources to continue in operation for the foreseeable future. Accordingly, the going concern basis has been used in preparing these financial statements.

##### **Consolidation**

These financial statements consolidate the results of the charity and its wholly owned subsidiary Horder MSK Limited on a line by line basis. A separate Statement of Financial Activities, or income and expenditure account, for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by section 408 of the Companies Act 2006.

A joint venture that is not held as part of an investment portfolio is consolidated using the equity method of accounting in accordance with FRS 102 section 15 "Investments in joint ventures". The Group's share of any deficit or surplus in joint ventures is included in the consolidated statement of financial activities, and the Group's share of their net assets or liabilities is included in the consolidated balance sheet. If the Group's share of net assets is reduced to zero, any additional losses leading to a net liability will not be recognised as the Group does not have a legal or constructive obligation or made payments on behalf of the joint venture. Details of the Group's joint ventures can be found in note 17.

##### **Income**

Fees are included on an accrual basis once each stage of treatment has been completed.

Bequests are recognised in the accounts when the charity is entitled to receipt and the amount can be measured with reasonable certainty.

Donations, investment income and other income are included on an accruals basis.

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

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#### **Expenditure**

Expenses include any attributable VAT which cannot be recovered and are recognised in the period in which they are incurred.

*Raising funds* are those costs associated with generating voluntary income.

*Charitable activities* include expenditure on patients.

*Support costs*, which include governance costs, are allocated to patients' expenditure.

*Governance costs* include those costs incurred in the governance of the charitable Group and are primarily associated with constitutional and statutory requirements.

#### **Fund accounting**

General funds are unrestricted funds which are available for use at the discretion of the Board of Directors in furtherance of the general objectives of the charitable Group and which have not been designated for other purposes. The revaluation reserve relates to the revaluation of certain tangible fixed assets. Restricted funds represent income contributions which are restricted to a particular purpose, in accordance with the donor's wishes. Designated funds comprise unrestricted funds that have been set aside by the Directors for a particular purpose.

#### **Intangible fixed assets - goodwill**

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of separable net assets acquired) is capitalised and amortised over 10 years. The goodwill has been generated through the purchase of The McIndoe Centre. When purchasing this centre the directors' paid careful attention to the useful life they considered the centre to have before agreeing on a purchase price. It was agreed the centre would carry a useful life of 10 years and therefore the directors deem that to be an appropriate method for amortising the goodwill.

#### **Intangible fixed assets other than goodwill**

Intangible assets acquired separately from a business are recognised at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	-	Straight line over 5 years
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#### **Tangible fixed assets**

Freehold land and buildings are stated at fair value less any subsequent accumulated depreciation and impairment losses. Gains on revaluation are recognised in other comprehensive income and accumulated in funds. However, the increase is recognised in net expenditure or income to the extent that it reverses a revaluation decrease previously recognised in net expenditure or income.

Revaluation gains and losses are recognised in the Statement of Financial Activities and accumulated revaluation fund, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in the Statement of Financial Activities or a revaluation loss exceeds the accumulated revaluation gains recognised in the revaluation fund; such gains and losses are recognised in income or expenditure.

#### **Depreciation**

Depreciation is provided at rates calculated to write off the cost of tangible fixed assets, less their estimated residual value, over their expected useful lives as follows:

Freehold land	-	Nil
Freehold buildings	-	Over 50 - 60 years
Equipment	-	4 - 10 years
Motor vehicles	-	25% reducing balance

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

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#### **Depreciation (continued)**

Assets under construction are not depreciated until brought into use. Assets under £1,000 are not capitalised and are charged directly to the statement of financial activities. A full year of depreciation is charged in the year of acquisition.

#### **Stock**

Stock is stated at the lower of cost and net realisable value. Cost is computed on a first in, first out basis. Net realisable value is based on estimated selling price after allowing for all further costs of completion and disposal.

#### **Pensions**

The Group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the charity to the fund in respect of the year.

#### **Employee benefits**

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

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

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

#### **Operating leases**

Rentals under operating leases are charged on a straight-line basis over the lease term.

#### **Cash and cash equivalents**

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

#### **Financial instruments**

The charitable Group and Company applies the provisions of Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instruments Issues" of FRS102 to all of its financial instruments. Financial instruments are recognised when the Group and Company becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are recognised when the charitable Group and Company becomes a party to the contractual provisions of the instrument, and are offset only when the charitable Group and Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **Financial assets**

Fee debtors, amounts owed by joint ventures and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.



# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

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#### ***Financial assets (continued)***

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

#### ***Financial liabilities***

Basic financial liabilities, including trade and other payables and amounts owed to joint ventures, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

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

#### ***Investments***

Listed investments are stated at market value by reference to their bid value at the balance sheet date. The statement of financial activities includes the net gains and losses arising on revaluations and disposals throughout the year.

#### ***Accounting estimates and areas of judgment***

In the application of the charity's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount 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 period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### ***Valuation of freehold land and buildings***

The freehold land and buildings are carried in the financial statements at their revalued amount. Each year the Board of Directors review the carrying value of these assets and using market values to determine if an amendment is required.

#### ***Carrying value of goodwill***

The Directors determine whether there are indicators of impairment of the Group's goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

#### ***Intangible fixed assets (see note 14)***

Intangible fixed assets are amortised over their estimated useful economic life. Estimates of the useful economic life of the goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 2 Donations and legacies

	Unrestricted 2019 £000	Restricted 2019 £000	Total 2019 £000	Total 2018 £000
Donations and covenants receivable	26	-	26	35
General trusts	-	-	-	12
Bequests	70	-	70	9
	<u>96</u>	<u>-</u>	<u>96</u>	<u>56</u>

Of the donations and legacies income for the year to 30 June 2018 £55,642 was attributable to unrestricted funds and £Nil to restricted funds.

#### 3 Investments

	Unrestricted	
	Total 2019 £000	Total 2018 £000
Interest receivable	48	11
Income from UK listed investments	25	82
Hire of facilities	118	111
	<u>191</u>	<u>204</u>

#### 4 Income from Charitable activities

	Unrestricted	
	Total 2019 £000	Total 2018 £000
Fees from NHS and other sources	27,355	28,234

#### 5 Other trading activities

	Unrestricted	
	Total 2019 £000	Total 2018 £000
Other income	616	535
Expense recharges to SMSKP2 Limited	901	858
	<u>1,517</u>	<u>1,393</u>

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 6 Raising funds

	Unrestricted	
	Total 2019 £000	Total 2018 £000
Fundraising and publicity		
Staff costs	-	-
	-	-

#### 7 Expenditure on Charitable activities

Patient services	Unrestricted 2019 £000	Restricted 2019 £000	Total 2019 £000	Total 2018 £000
Theatre and medical costs	11,474	-	11,474	12,281
Wages, salaries and national insurance	8,673	-	8,673	9,393
Pension cost	473	-	473	416
Depreciation	1,407	13	1,420	1,330
Amortisation	100	-	100	190
Support costs (note 8)	8,215	-	8,215	7,886
	<u>30,342</u>	<u>13</u>	<u>30,355</u>	<u>31,496</u>

Of the total charitable expenditure for the year to 30 June 2018 £14,400 is attributable to restricted funds and £31,482,499 to unrestricted funds.

#### 8 Support costs

	Unrestricted	
	Total 2019 £000	Total 2018 £000
Catering, laundry and office costs	1,683	1,372
Legal and professional fees	353	772
Building and equipment maintenance	1,112	845
Staff costs	3,135	2,779
Bad debt expense	-	49
Finance costs	59	81
Clinical governance	25	8
Other direct costs	1,781	1,925
Governance	67	55
	<u>8,215</u>	<u>7,886</u>

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 9 Other expenditure - exceptional items

	Unrestricted	
	Total 2019 £000	Total 2018 £000
Goodwill impairment	-	1,110
Fixed asset impairment	-	2,769
SMSKP2 Limited contribution	-	250
	<u>-</u>	<u>4,129</u>

##### Goodwill impairment

During the prior year the Group undertook its annual impairment review of goodwill arising on the acquisition of the McIndoe Centre. Goodwill on this acquisition has now been impaired to the extent that the carrying value of goodwill exceeded the value in use of the cash generating unit. The impairment amounted to £1,110k.

##### Fixed asset impairment

During the prior year the Group assessed the feasibility of the project to implement a new patient management system and accounting software and concluded that it was not financially viable. Costs capitalised of £2,769k were impaired and these included settlement costs incurred for existing the contract early and associated legal costs.

##### SMSKP2 Limited contribution

The joint venture shareholders' agreement held for SMSKP2 Limited states the Group shall make a working capital cash contribution of £250,000 to SMSKP2 Limited. This was provided for in the previous financial year.

#### 10 Auditor's remuneration

	2019 £000	2018 £000
Auditor's remuneration	32	32
Auditor's non audit services:		
Other services	7	25
	<u>39</u>	<u>57</u>

#### 11 Taxation

Horder Healthcare is a registered charity and as such its income and gains falling within Sections 471 to 489 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 are exempt from corporation tax to the extent that they are applied to its charitable objectives.

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 12 Staff costs and remuneration of key management personnel Charity and Group

	2019 £000	2018 £000
Wages and salaries	10,481	11,315
Social security costs	919	998
Pension costs	469	418
	<u>11,869</u>	<u>12,731</u>
Termination payments	<u>155</u>	<u>105</u>

#### Employees

The number of higher paid employees, including clinicians, was:

	2019 No.	2018 No.
In the band £60,001 - £70,000	4	2
In the band £70,001 - £80,000	1	1
In the band £80,001 - £90,000	2	1
In the band £90,001 - £100,000	1	-
In the band £110,001 - £120,000	1	2
In the band £150,001 - £160,000	1	-
In the band £160,001 - £170,000	-	2
In the band £170,001 - £180,000	1	-
	<u>11</u>	<u>8</u>

Dr R Tyler the Chief Executive, a member of the Senior Executive team was also a member of the Board of Directors and received remuneration and benefits for his services in that office, through an employment contract with the charity, of £170,340 (2018: £169,865); in addition, pension contributions for the year were £16,237 (2018: £16,688). The number of directors to whom retirement benefits are accruing is 1 (2018: 1)

The Charity considers its Board of Directors and Senior Executive team as their key management personnel. The total employment benefits including employer contribution of the key management personnel was £346,731 (2018: £569,167). Board member details can be found on page 1. Other Senior Executive team members were Mrs R Dixon, Operations Director.

No other members of the Board of Directors received any emoluments during either year. During the year 2 trustees (2018: 2) received reimbursement of travel expenses totalling £662 (2018: £917).

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 12 Staff costs and remuneration of key management personnel (continued) Charity and Group

The average number of employees during the year was made up as follows:

	2019 No.	2018 No.
Clinical	175	184
Clinical support	78	86
Non-clinical	107	126
	<u>360</u>	<u>396</u>

#### 13 Net expenditure/income

	2019 £000	2018 £000
This is stated after charging:		
Depreciation	1,420	1,330
Amortisation	100	190
Impairment of software	-	2,346
Stock recognised as an expense	5,417	5,271
Operating lease rentals	16	45
	<u>6,953</u>	<u>9,282</u>

#### 14 Intangible fixed assets – Group and Charity

	Goodwill £000	Software £000	Total £000
<b>Cost or valuation</b>			
At 1 July 2018	1,903	2,346	4,249
Additions	-	-	-
	<u>1,903</u>	<u>2,346</u>	<u>4,249</u>
At 30 June 2019	<u>1,903</u>	<u>2,346</u>	<u>4,249</u>
<b>Amortisation</b>			
At 1 July 2018	1,683	2,346	4,029
Charge for year	100	-	100
Impairment	-	-	-
	<u>1,783</u>	<u>2,346</u>	<u>4,129</u>
At 30 June 2019	<u>1,783</u>	<u>2,346</u>	<u>4,129</u>
<b>Net book value</b>			
At 30 June 2019	<u>120</u>	<u>-</u>	<u>120</u>
At 30 June 2018	<u>220</u>	<u>-</u>	<u>220</u>

On 1 July 2015 Horder Healthcare purchased the assets of the McIndoe Centre and transferred all of its trade and assets to the charity. The remaining amortisation period is 6 years.

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 15 Tangible fixed assets – Group and Charity

	Assets under construction £000	Freehold Land and Buildings £000	Equipment £000	Motor Vehicles £000	Total £000
<b>Cost or valuation</b>					
At 1 July 2018	286	54,750	11,201	107	66,344
Additions	-	281	326	7	614
Disposals	-	-	-	(15)	(15)
Transferred	(286)	286	-	-	-
	<u>-</u>	<u>55,317</u>	<u>11,527</u>	<u>99</u>	<u>66,943</u>
<b>Depreciation</b>					
At 1 July 2018	-	2,725	7,179	64	9,968
Charge for the year	-	814	598	8	1,420
Eliminated on disposal	-	-	-	(15)	(15)
Impairment	-	-	-	-	-
	<u>-</u>	<u>3,539</u>	<u>7,777</u>	<u>57</u>	<u>11,373</u>
<b>Net book value</b>					
At 30 June 2019	-	51,778	3,750	42	55,570
	<u>286</u>	<u>52,025</u>	<u>4,022</u>	<u>43</u>	<u>56,376</u>

All freehold land and buildings at St John's Road, Crowborough, East Sussex and Sutton Road, Seaford, East Sussex were valued as at 30 June 2014 by Mr A Burchell, MRICS and Mr D Cooney, MRICS, on a depreciated replacement cost basis. The Directors are of the opinion that the market value of the freehold properties is not materially different to their carrying value defined by the valuation details above.

All freehold land and buildings at Holtye Road, East Grinstead, West Sussex are valued at the depreciated acquired cost plus the depreciated cost of subsequent investment.

On an historical cost basis the historical cost of freehold land and buildings stated at valuation is £35,806,000 (2018: £35,806,000), and accumulated depreciation would be £2,725,000 (2018: £2,725,000). The historic cost of assets under construction was £286,000 (2018: £286,000).

Included within freehold land and buildings is £10,003,809 (2018: £10,003,809) of freehold land.

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 16 Fixed asset investments – Group

	2019 £000	2018 £000
<b>Listed investments</b>		
At 1 July	3,882	5,906
Additions	1,055	3,093
Disposals at market value	(4,804)	(5,103)
Net loss	(133)	(14)
	<hr/>	<hr/>
	-	3,882
Cash held with investment managers	-	114
	<hr/>	<hr/>
At 30 June 2019	-	3,996
	<hr/>	<hr/>
Historical cost at 30 June 2019	-	3,949
	<hr/>	<hr/>

Listed investments are stated at market value at the balance sheet date. All such investments were disposed of in the year so that the carried forward value is nil.

In addition to the above listed investments, the Group also has interests in the following unlisted investments:

The Group holds more than 20% of the share capital of the following companies:

Associated undertakings	Country of incorporation	Class	% held directly
SMSKP1 Limited	England & Wales	Ordinary	50
SMSKP2 Limited	England & Wales	Ordinary	50

SMSKP1 Limited was incorporated on 28 August 2014. The Company is dormant and has never traded.

SMSKP2 Limited was incorporated on 3 October 2014 and its principal activity is the support of an integrated musculoskeletal service for the NHS. Further details are given in note 17. The joint venture shareholders' agreement held for SMSKP2 Limited states the Group shall make a working capital cash contribution of £250,000 to SMSKP2 Limited. This provision was recognised in the accounts in the 2018 Financial Statements and is carried forward in this year's Financial Statements.

The total cost of the shares held in these undertakings is £3 (2018: £3). The shares are held by Horder MSK Limited.



# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 16 Fixed asset investments - Charity

	2019 £000	2018 £000
<b>Listed investments</b>		
At 1 July	3,882	5,906
Additions	1,055	3,093
Disposals at market value	(4,804)	(5,103)
Net loss	(133)	(14)
	-	3,882
Cash held with investment managers	-	114
At 30 June 2019	-	3,996
	-	3,949

In addition to the above listed investments, the charity also has the following unlisted investments:

The charity holds more than 20% of the share capital of the following companies all of which have been incorporated in England & Wales:

Subsidiary undertakings:	Company registration number	Class	% held directly	% held indirectly
Horder MSK Limited	09182301	Ordinary	100	-
McIndoe Healthcare Services Limited*	09846138	Ordinary	100	-
McIndoe BVI Limited*	05838281	Ordinary	-	100
McIndoe Consultants Limited*	06525232	Ordinary	-	100
McIndoe Cosmetic Limited*	06525182	Ordinary	-	100
McIndoe Eyes Limited*	09473797	Ordinary	-	100
McIndoe International Limited*	05839223	Ordinary	-	100
McIndoe TV Limited*	06584599	Ordinary	-	100
McIndoe Hospital Limited*	08749830	Ordinary	-	100

Horder MSK Limited, was incorporated on 19 August 2014 and made a £250,000 loss during the year to 30 June 2018. The Company made no profit or loss in the year ended 30 June 2019.

The total cost of the shares held in Horder MSK Limited is £2 (2018 - £2). The aggregate capital and reserves of Horder MSK Limited at 30 June 2019 was (£249,998) (2018: (£249,998)), the total assets were £5 and total liabilities were £250,003.

\*These companies are dormant and are exempt from audit by virtue of s479 of the Companies Act 2006 and have not been included in the consolidated accounts.

The registered office for all subsidiary undertakings is The Horder Centre, St Johns Road, Crowborough, East Sussex, TN6 1XP.

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 17 Programme Related Investments

##### Joint venture - Group

Organisation name	Country of registration	Class of ownership	Joint venture interest	Nature of business	Group share of net assets
					£000
SMSKP2 Limited	England	Ordinary	50%	Integrated Musculoskeletal Service for the NHS	2
<b>Share of Joint venture assets and liabilities:</b>					<b>£000</b>
Share of current assets					4,440
Liabilities due within one year					(4,440)
Share of net assets					-
<b>Share of Joint venture income and expenditure:</b>					<b>£000</b>
Share of turnover					17,757
Share of expenses					(17,759)
Share of deficit					(2)

The financial year end for SMSKP2 Limited is 31 March 2019. Therefore the share of net assets and share in deficit for the year have been taken from the Company's management accounts for the period to 30 June 2019. These management accounts were approved by the board of SMSKP2 Limited.

The joint venture shareholders' agreement held for SMSKP2 Limited states the Group shall make a working capital cash contribution of £250,000 to SMSKP2 Limited. This was provided for in the prior financial year.

The registered office of SMSKP2 Limited is Swandean, Arundel Road, Worthing, West Sussex, BN13 3EP.

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 18 Stock – Group and Charity

	2019 £000	2018 £000
Theatre, medical and surgical consumables and drugs	381	492
Prosthesis	298	279
	<u>679</u>	<u>771</u>

#### 19 Debtors – Group and Charity

	2019 £000	2018 £000
Fee debtors	1,976	2,784
Amounts owed by jointly controlled entity	24	56
Other debtors	229	352
Prepayments and accrued income	1,401	1,523
	<u>3,630</u>	<u>4,715</u>

Included in Fee debtors is £447,628 (2018: £17,745) owed from SMSKP2 Limited.

#### 20 Current asset investments – Group and Charity

	2019 £000	2018 £000
Bank deposits	<u>1,111</u>	<u>1,102</u>

#### 21 Creditors: Amounts falling due within one year – Group

	2019 £000	2018 £000
Trade creditors	1,054	1,356
Social security and other taxes	213	273
Other creditors	29	13
Accruals	1,863	1,789
Deferred income (note 23)	1,392	1,714
	<u>4,551</u>	<u>5,145</u>

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 22 Creditors: Amounts falling due within one year – Charity

	2019 £000	2018 £000
Trade creditors	1,054	1,356
Social security and other taxes	213	273
Other creditors	29	13
Accruals	1,613	1,539
Deferred income (note 23)	1,392	1,714
	<u>4,301</u>	<u>4,895</u>

#### 23 Deferred income – Group and Charity

	2019 £000	2018 £000
Deferred income as at 1 July	1,714	482
Incoming resources received requiring deferment	1,392	1,714
Release of incoming resources during the year	(1,714)	(482)
	<u>1,392</u>	<u>1,714</u>

Deferred income represents income received from the NHS, private medical insurance companies, and self paying patients in advance for healthcare services.

#### 24 Financial instruments

Group & Charity	2019 £000	2018 £000
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	3,018	4,124
Instruments measured at fair value through surplus/deficit	-	3,996
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	2,696	2,908

#### 25 Pension – Group and Charity

The charity operates a defined contribution scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £468,915 (2018: £417,735). The amount outstanding at the balance sheet date was £14,814 (2018: £12,774) and is shown within other creditors.

#### 26 Related party transactions

During the year the charity recharged SMSKP2 Limited, a company in which 50% of the share capital is owned by Horder MSK Limited, £900,845 (2018: £858,000) for costs incurred on their behalf. Income of £9,586,156 (2018: £9,517,000) was received through contract activity. At the balance sheet date £471,628 (2018: £73,745) was outstanding.

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 27 Funds

<b>Group</b>	<b>General fund £000</b>
Balance at 1 July 2018	46,223
Movement in funds for the year	(1,318)
Transfer between funds	-
	<hr/>
Balance at 30 June 2019	44,905
	<hr/>

General Fund – this relates to unrestricted and undesignated funds which are available for expending in line with the charity's objects.

<b>Charity</b>	<b>General fund £000</b>
Balance at 1 July 2018	46,471
Movement in funds for the year	(1,316)
Transfer between funds	-
	<hr/>
Balance at 30 June 2019	45,155
	<hr/>

General Fund – this relates to unrestricted and undesignated funds which are available for expending in line with the charity's objects.

<b>Group and Charity</b>	<b>Revaluation Reserve £000</b>
Balance at 30 June 2018 & 30 June 2019	18,945
	<hr/>

The revaluation reserve relates to the revaluation of freehold property.

<b>Group and Charity</b>	<b>Restricted fund £000</b>
Balance at 1 July 2018	82
Movement in funds for the year	(13)
Transfer between funds	-
	<hr/>
Balance at 30 June 2019	69
	<hr/>

Restricted Fund – relates to the purchase of medical equipment and motor vehicles.

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 28 Analysis of Group net assets between funds - 2019

	Tangible & Intangible fixed assets £000	Investments £000	Net current assets £000	Total 2019 £000
General fund	36,676	-	8,229	44,905
Revaluation reserve	18,945	-	-	18,945
Restricted fund	69	-	-	69
	<u>55,690</u>	<u>-</u>	<u>8,229</u>	<u>63,919</u>

#### Analysis of Group net assets between funds - 2018

	Tangible & Intangible fixed assets £000	Investments £000	Net current assets £000	Total 2018 £000
General fund	37,569	3,998	4,656	46,223
Revaluation reserve	18,945	-	-	18,945
Restricted fund	82	-	-	82
	<u>56,596</u>	<u>3,998</u>	<u>4,656</u>	<u>65,250</u>

#### Analysis of charity net assets between funds - 2019

	Tangible & Intangible fixed assets £000	Investments £000	Net current assets £000	Total 2019 £000
General fund	36,676	-	8,479	45,155
Revaluation reserve	18,945	-	-	18,945
Restricted fund	69	-	-	69
	<u>55,690</u>	<u>-</u>	<u>8,479</u>	<u>64,169</u>

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 28 Analysis of charity net assets between funds - 2018

	Tangible & Intangible fixed assets £000	Investments £000	Net current assets £000	Total 2018 £000
General fund	37,569	3,996	4,906	46,471
Revaluation reserve	18,945	-	-	18,945
Restricted fund	82	-	-	82
	<u>56,596</u>	<u>3,996</u>	<u>4,906</u>	<u>65,498</u>

#### 29 Commitments under operating leases – Group and Charity

The charity leases a number of assets and properties under normal commercial terms.

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

	2019 £000	2018 £000
Less than one year	11	15
Between 2 and 5 years	10	21
	<u>21</u>	<u>36</u>

#### 30 Capital commitments – Group and Charity

	2019 £000	2018 £000
Contracted for but not provided in these financial statements	<u>1,393</u>	<u>1,225</u>

Capital commitments at 30 June 2019 include investment in IT systems, property maintenance and medical equipment. Capital commitments at 30 June 2018 included contracted investment in new IT systems across all sites and refurbishment spend on the McIndoe Centre.

# HORDER HEALTHCARE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 31 Net cash flow from operations - Group

	2019 £000	2018 £000
Net deficit for the year	(1,331)	(5,750)
Share of joint venture deficit/ (surplus)	2	(2)
Fair value losses on investments	133	14
Depreciation	1,420	1,330
Amortisation	100	191
Impairment	-	3,456
Investment income	(191)	(93)
(Increase)/decrease in stocks	92	(56)
Decrease/(increase) in debtors	1,085	1,435
Increase/(decrease) in creditors	(594)	1,568
Net cash inflow from operating activities	716	2,093

#### 32 Net cash flow from operations – Charity

	2019 £000	2018 £000
Net deficit for the year	(1,329)	(5,502)
Fair value losses on investments	133	14
Depreciation	1,420	1,330
Amortisation	100	191
Impairment	-	3,456
Investment income	(191)	(93)
(Increase)/decrease in stocks	92	(56)
Decrease/(increase) in debtors	1,085	1,435
Increase/(decrease) in creditors	(594)	1,318
Net cash inflow from operating activities	716	2,093