



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

(Association étrangère à but non lucratif)

ANNUAL REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2018

REFERENCE AND ADMINISTRATIVE DETAILS

Charity number: 248 198

Company number: 00 878 934

Principal office: 3 rue Barbès, 92300 Levallois Perret
Registered office UK : 5th Floor, 6 St Andrew Street – London EC4A 3AE
United Kingdom

Auditors: Grant Thornton, 29 rue du Pont, 92200 Neuilly sur Seine

Bankers : Crédit du Nord, 50 rue d'Anjou, 75008 Paris
Dexia, 1 passerelle des Reflets, Tour Dexia, La Défense 2,
92919 La Défense
Société Générale, 122 avenue du Général de Gaulle,
92522 Neuilly sur Seine

Solicitors and other legal advisers:

Clifford Chance 10 Upper Bank Street, London E14 5JJ
TMF Corporate Secretarial Services Ltd, 400 Capability Green, Luton, Beds, LU1 3AE
Cabinet Barthelemy, 24, rue de Berri, 75008 Paris
Cabinet CATED CONSEIL, 236 boulevard Raspail, 75014 Paris
Maître Séverine Lamey, 26 avenue de l'Opéra, 75001 Paris

DIRECTORS, TRUSTEES AND COUNCIL OF MANAGEMENT

The Directors of the company, the Trustees of the charity and the members of the Council of Management serving during the year and since the year end were as follows:

M. de Fabiani, OBE, Chairman
J. Maurin, MBE, Deputy Chairman (representative member)
S. Cheyne, Honorary Treasurer
B. Terrell, Honorary Secretary
D. Blanchard
I. Gosling



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3, rue Barbès 92300 Levallois-Perret - FRANCE - Tél. : 33 (0) 1 47 57 19 45

C. Gilmore
 P.F.V. Howard, OBE (representative member)
 I. McDonald
 P. Terrell
 C. Wicker
 C. Wilson, OBE
 R. Seguin
 S. Cowen
 A. Suminski
 J. Bache
 S. Esquivia-Hesse
 R. Lewis FBCCI (ex-officio Trustee)
 I. Hutton
 R. Stannard, British Embassy (ex-officio Trustee)

HOSPITAL STEERING COMMITTEE

M. de Fabiani, OBE, Chairman
 D. Blanchard
 P.E.V. Howard, OBE
 J. Maurin, MBE
 C. Gilmore
 C. Wilson, OBE, Vice-Chairman
 I. McDonald

PROPERTY COMMITTEE

S. Cowen, Chairman
 C. Wicker
 S. Cheyne
 C. Gilmore
 I. Gosling
 P. Terrell

FINANCE, RISK & AUDIT COMMITTEE

S. Cheyne, Chairman
 D. Blanchard
 S. Cowen
 I. Hutton
 I. Gosling
 I. McDonald
 C. Wicker

NOMINATIONS COMMITTEE

C. Wicker, Chairman
 D. Blanchard
 P. Terrell
 M. de Fabiani
 R. Seguin
 S. Cheyne
 J. Bache

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STRATEGY COMMITTEE

C. Wicker, Chairman
P. Terrell
S. Cheyne
A. Suminski
R. Seguin
C. Wilson, OBE
S. Cowen

COMMUNICATIONS AND WEBSITE COMMITTEE

P.E.V. Howard, OBE, Chairman
J. Maurin, MBE
J. Bache

STRUCTURE, GOVERNANCE AND MANAGEMENT

GOVERNING DOCUMENTS

The Hertford British Hospital (HBH) was founded in 1871 by the late Richard Wallace. The Hertford British Hospital Corporation (HBHC) is a registered charity, incorporated in the United Kingdom in 1966 and registered in France in 1970, which manages the assets of the original charity and those assets received subsequently as gifts and donations. The HBH's hospital activity was transferred to the French charity l'Oeuvre du Perpetuel Secours (OPS) with effect from 1st January 2008 and combined with the latter's own hospital activity to form a joint hospital under the name Institut Hospitalier Franco-Britannique (IHFB). HBHC appointed half the members on the Management Committee of the IHFB and had a minority representation on the Board of the OPS. The Chairman of HBHC was appointed Chairman of the Management Committee of the IHFB.

In 2015, the financial provisions of the agreements in place with the OPS were modified. As a consequence the number of HBHC's appointees on the Management Committee of the IHFB was reduced from three to two and its representation on the board of OPS was also modified so as to reduce its representation from 40% to 38.8% of the board.

The ninth Marquess of Hertford, a member of our founder's family, has been our Patron since 2006.

The present document and attached financial statements have been prepared in compliance with the Companies Act of 2006 and the Statement of Recommended Practice - Charities (FRS 102).



APPOINTMENT OF TRUSTEES

The Council of Management is composed of not less than thirteen and not more than twenty-four trustees, comprising two ex-officio members, two representative members and not more than twenty co-opted members. There are at present two ex-officio members, two representative and sixteen co-opted members.

The ex-officio members are:

A senior representative of Her Britannic Majesty's Embassy in Paris and

The President of the Franco-British Chamber of Commerce and Industry in Paris.

The representative members are appointed at the Annual General Meeting and retire from office at the close of the next Annual General Meeting following that of their appointment.

Co-opted members are appointed for a term not exceeding five years and are eligible for re-election. Trustees are chosen with regard to their availability to spend time on the charity and their specialist skills and experience in management, finance, law, property...

TRUSTEE INDUCTION AND TRAINING

New trustees are briefed on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the work of the committees, the decision-making processes, the objectives and the recent financial performance of the charity.

ORGANISATION

The Council of Management administers the charity. This board meets quarterly. At the Council meeting held immediately after the Annual General Meeting, the trustees elect a Chairman, a Deputy Chairman, an Honorary Treasurer and a Secretary. The trustees also elect a Chairman, a Deputy Chairman and members of the Hospital Steering Group, the Chairmen and members of the Finance, Risk & Audit Committee, of the Property Committee, of the Nominations Committee, of the Strategy Committee and of the Communication and Website Committee. These committees oversee the Charity's interests in the IHFB, the finances of the Charity and the operations of its commercial property portfolio. They meet as often as required.

RELATED PARTIES

The charity has a long-standing relationship with the British Charitable Fund, Paris (BCF). The BCF, a registered charity, provides help to British residents in France who have fallen on hard times. Our founder Richard Wallace was a most generous benefactor in the past and today we offer rent-free accommodation to the BCF at 12 rue Barbès.

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PRINCIPAL RISKS AND UNCERTAINTIES FACING THE CHARITY

The trustees take pains to identify and address all major risks to which the Corporation is exposed.

Members of the Property Committee ensure that the charity's portfolio of commercial buildings is properly maintained and that its properties are rented out to suitable tenants at market levels of rent. In 2017 the charity was faced with vacancies in the majority of the floors of the rue Barbès building. In order to return these premises to the market in the most beneficial light, upgrades to the office areas and to the common parts were required. The upgrades have been completed and one of the three vacant floors has been let. A risk for the charity is that we encounter difficulties or delays in finding new tenants for the remaining unlet floors in the rue Barbès building.

The tenant of the Wallace Gardens buildings (rue Voltaire/Barbès buildings) left the premises at the end of the nine-year lease, at 31st March 2018. A replacement tenant has been found for the buildings and a lease signed whereby the new tenant undertakes the refurbishment. A risk for the charity is to ensure that any negotiated reduction in rent or granting of a rent-free period (both of which are current market approaches taken in such negotiations) are not seen as a quid pro quo for refurbishment works undertaken by the new tenant giving rise to a liability for TVA. Our lawyers are advising us on these issues.

The tenants of the Château building are in dispute with the charity over the payment of business tax. The tenants have held back rent and charges in excess of the business tax in dispute. In addition, they have not responded to requests to take down unauthorised temporary structures outside the buildings. Our lawyers are advising us on these issues.

Members of the Finance, Risk and Audit Committee ensure that all financial risks are identified and that expenses are strictly limited. The Committee oversees all systems, controls and processes that may have an impact on the charity's ability to meet its objectives and ensures that effective audit functions and adequate risk management processes are in place. The Corporation has no significant financial investment income, endowments, grants or donations. Stock market upturns and downturns have no direct influence on the charity's results.

Members of the Hospital Steering Group represent HBHC on the Board of OPS and on the Management Committee which controls and supports the IHFB (Institut Hospitalier Franco Britannique).



OBJECTIVES AND ACTIVITIES

The objects for which the original charity was established were to operate a hospital in or near Paris for the treatment and relief of patients requiring medical attention, being primarily British residents, as well as serving the local population.

The present-day objectives of the Corporation are, in all essential respects, identical to those initially laid down by the founder. These objectives, as expressed in its Memorandum of Association, are dedicated to the medical treatment of patients of British nationality resident in France or of any other nationality, but with a preference for the former. These objectives have been extended to the provision of other health services and retirement homes and are achieved through the Corporation's participation on the Management Committee which supervises the operation and administration of the Hospital. The Corporation also manages the associated commercial properties. The Agreement providing for the transfer of HBH's hospital activity to the OPS was approved by the Charity Commission on 28th February 2008 and the transaction was legally implemented on 1st June 2008 (with retroactive effect to 1st January 2008) after the signature of a Merger Agreement («Traité d'Apport») and of an occupancy agreement putting the hospital building of HBH at the disposal of the OPS so that this building could continue to house the maternity, obstetric and paediatric department of the new joint hospital.

The ARS (the French health authority) confirmed its support for the merger and it undertook to provide financial assistance to HBHC to cover some of the hospital's past commitments and liabilities (ie its fiscal debt, recommended investment in smoke extractor equipment and additional labour wards necessary to increase the capacity of the Maternity Department).

In accordance with the agreements signed with OPS early in 2008, all of the hospital activities of HBH were transferred to the OPS in order to constitute the IHFB. The new joint hospital, the IHFB, came into being for practical purpose on 1st June 2008 with retroactive effect for accounting and legal purposes to 1st January 2008. Only the Dermatology Centre (CID) was maintained under the full ownership of HBHC. The CID has reported an operating loss each year since 2008 despite management's efforts to improve this situation.

The Charity is the beneficial owner of certain commercial properties. In 2008, in order to renovate the main commercial buildings the Charity borrowed €8.7 M from Dexia for a term of fifteen years, together with an additional loan of €1.5 M in 2009.

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A new charge effective from September 2020 has been put in place. In the meantime our cash forecasts show that the HBHC can meet the Dexia reimbursements in full.

ACHIEVEMENTS AND PERFORMANCE

Two members of the Hospital Steering Group sat on the Management Committee of the IHFB throughout 2018 and participated in the control of the management of the joint hospital and the approval of important decisions, including any major investments.

During 2018 the hospital activity, with the single exception of the Oncology sector, was in decline. After contributions from the Health Authorities, the loss (not yet formally approved) will amount to some three million Euros – eliminating the remaining resources of the OPS Association.

In December 2018 a final protocol was signed (with the approval of the HBHC representatives) between OPS and the Foundation Cognacq Jay to create a joint-venture – *Groupement de Coopération Sanitaire* – in the name of the Hôpital Franco-Britannique, to which the hospital activities were transferred with effect from the 1st March 2019. To achieve this solution and retain a minority interest in the new structure, OPS sold the Rue Kléber properties to the Fondation for an amount of thirty million Euros.

The long-term future of the hospital and its seven hundred employees has been safeguarded.

Cognacq Jay, in control, will contribute the funds and the financial strength to achieve the single site leaving the HBHC Barbès building free at a later date. The Management Committee of the IHFB has been replaced by a six member Strategy Committee of the new joint venture on which Cognacq Jay has the Chair plus two other representatives and the OPS the remaining three representatives of which one is a nominee of the Charity.

The Charity's legal obligation to fund deficits incurred by IHFB will terminate at 31st December 2019, as set out in the Amendment dated 22nd July 2015 to the 2008 Agreement with OPS. The Hospital will, however, continue to benefit from the occupancy agreement covering the maternity wing, for use as a maternity, obstetric and paediatric department until 2031 at the latest.



FINANCIAL REVIEW

The balance sheet at 31st December 2018 continued to show an improved long-term asset to long term liability ratio. Interest decreased as loans were paid down and during the year loans repaid totalled £606k (€677k). The Sinking Fund, totalling one million euros (£895k), continued to be placed on deposit. Current cash flows anticipate the repayment of all loans on time.

Let property income decreased due to the departure of the tenants of the Wallace Gardens (rue Voltaire/Barbès buildings) at 31st March 2018. The rental income for these buildings from the new tenancy will come on stream in September 2020. The CID reported a net loss for the year of €135k (2016 net loss of €216k), an improvement over previous years.

In 2018, the Charity made a total operating profit of £242k (€271k) before tax and revaluation of investment properties (although there is a loss of €509k in the French accounts due to a difference in the treatment of depreciation). A professional valuation of our property on the Villiers site resulted in an increase in the estimated market value of £6.3 million (€7 million) of our property portfolio to £46.6 million (€52.1 million).

PLAN FOR FUTURE PERIODS

1) The representative of the Charity on the Strategy Committee of the joint venture between Fondation Cognacq Jay and OPS will ensure that the fundamental principles of the Charity which were enshrined in the Agreement providing for the transfer of its hospital activities to the OPS to form the IHFB will continue to be respected by the new joint venture.

2) The Finance, Risk & Audit Committee will continue to keep costs to a minimum. Interest payments to banks should steadily reduce from the current rate of £184k (€205k) p.a. to zero in 2024 when outstanding bank loans should be paid off, excluding unforeseen circumstances.

The Committee is making the necessary arrangements to comply with the General Data Protection Regulation (GDPR) which came into force in May 2018. This law has particular relevance to the operations of the Dermatology Centre (CID).



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TRUSTEES' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

English company law requires the trustees to prepare financial statements that give a true and fair view of the state of affairs of the charity at the end of the financial year and of its surplus or deficit for the financial year. In doing so the trustees are required to:

- Select suitable accounting policies and then apply them consistently,
- Make sound judgements and estimates that are reasonable and prudent, and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for maintaining proper accounting records, which disclose with reasonable accuracy at all times the financial position of the charity and enables them to ensure that the financial statements comply with the Companies Act 2006 and the Statement of Recommended Practice–Charities (FRS 102). The trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

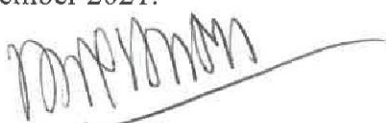
In accordance with English company law, as the Corporation's directors, we certify that:

- So far as we are aware, there is no relevant audit information of which the Corporation's auditors are unaware; and
- As the directors of the Corporation, we have taken all the steps that should have been taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

AUDITORS

The firm of Grant Thornton was re-appointed for a six-year mandate under French law, commencing with the accounts for the year ending 31st December 2016, and ending with the accounts for the year ending 31st December 2021.

By order of the trustees



Michel de FABIANI, Chairman

September 2019

Statutory auditor's report



Statutory auditor's Report on the financial statements

Year ended 31 December 2018

Hertford British Hospital Corporation, Paris
3, rue Barbès
92300 Levallois Perret

Grant Thornton

SA d'Expertise Comptable et
de Commissariat aux Comptes
au capital de 2 297 184 €
inscrite au tableau de l'Ordre de la région
Paris Ile France et membre
de la Compagnie régionale de Versailles
RCS Nanterre B 632 013 843
27 rue James Watt
37200 Tours



Statutory auditor's Report on the financial statements

Hertford British Hospital Corporation, Paris Year ended 31 December 2018

To the Trustees,

In our capacity as French statutory auditor and in accordance with your request for the purpose of the Charity Commission Requirements, we hereby report to you on the audit of the accompanying financial statements of **Hertford British Hospital Corporation, Paris** for the year ended 31 December 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flow and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of Trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 9, 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and French Standards on Auditing. Those standards require that we comply with local ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 December 2018 and of its 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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



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 company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

This report is governed by French law. The courts of France shall have exclusive jurisdiction over any claim, dispute or difference resulting from the engagement letter or the present report or any related matters. Each party irrevocably waives its right to oppose any action brought before the French courts, to claim that the action is being brought before an illegitimate court or that the courts have no jurisdiction.

Paris, 5 September 2019

The Statutory auditor
Grant Thornton
French Member of Grant Thornton International

Adam Nicol
Partner



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

STATEMENT OF FINANCIAL ACTIVITIES

(including income and expenditure account)

For the year ended 31 December 2018

		Unrestricted Funds			
	Notes	2018 €	2017 €	2018 £ (0,89453)	2017 £ (0,88723)
Income and endowments					
<i>Income from trading activities :</i>					
Income from Property Investments	5	1 906 107	3 554 737	1 705 070	3 153 869
<i>Income from Charitable activities :</i>					
Health services income	6	<u>1 389 022</u>	<u>1 280 584</u>	<u>1 242 522</u>	<u>1 136 172</u>
Total income and endowments		<u>3 295 129</u>	<u>4 835 321</u>	<u>2 947 592</u>	<u>4 290 041</u>
<i>Expenditure on Raising funds :</i>					
Costs of generating funds		<u>1 416 890</u>	<u>1 014 323</u>	<u>1 267 451</u>	<u>899 937</u>
Total expenditure on Raising funds	7	<u>1 416 890</u>	<u>1 014 323</u>	<u>1 267 451</u>	<u>899 937</u>
<i>Expenditure on Charitable activities :</i>					
Health services expenditure	8 & 9	1 545 208	1 431 324	1 382 235	1 269 914
Governance costs	10	<u>135 967</u>	<u>95 576</u>	<u>121 627</u>	<u>84 798</u>
Total expenditure		<u>3 098 065</u>	<u>2 541 223</u>	<u>2 771 313</u>	<u>2 254 649</u>
Net income before non operating intems		<u>197 064</u>	<u>2 294 098</u>	<u>176 279</u>	<u>2 035 392</u>
Provision for retirement indemnities	20	73 868	6 752	66 077	5 991
Net income before unrealised gains on investment properties		<u>270 932</u>	<u>2 300 850</u>	<u>242 356</u>	<u>2 041 383</u>
Gains/(losses) on revaluation of investment	14 & 21	<u>7 016 919</u>	<u>1 118 297</u>	<u>6 276 845</u>	<u>992 187</u>
Net movement in funds before taxation		<u>7 287 851</u>	<u>3 419 147</u>	<u>6 519 201</u>	<u>3 033 570</u>
Taxation	11	<u>-</u>	<u>72 218</u>	<u>-</u>	<u>64 074</u>
Net movement in funds after taxation		<u>7 287 851</u>	<u>3 346 929</u>	<u>6 519 201</u>	<u>2 969 496</u>
Funds brought forward at 1 January	21	<u>43 821 138</u>	<u>40 474 209</u>	<u>38 879 428</u>	<u>34 653 208</u>
Exchange difference		-	-	319 895	1 256 724
Funds carried forward at 31 December	21	<u>51 108 989</u>	<u>43 821 138</u>	<u>45 718 524</u>	<u>38 879 428</u>



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

BALANCE SHEET

As at 31 December 2018

	Notes	2018 €	2017 €	2018 £	2017 £
Fixed assets					
Intangible fixed assets	12	10 342	20 156	9 251	17 883
Tangible fixed assets	13	2 839 092	3 000 409	2 539 652	2 662 052
Investment properties	14	52 100 000	43 970 000	46 605 013	39 011 503
Financial assets	16	<u>6 507</u>	<u>-</u>	<u>5 821</u>	<u>-</u>
		54 955 941	46 990 565	49 159 737	41 691 438
Current assets					
Debtors	17	863 535	788 716	772 455	699 772
Short term investments		19 258	-	17 227	-
Cash at bank and in hand		1 512 923	1 390 993	1 353 355	1 234 130
Sinking Fund	25	<u>1 035 000</u>	<u>3 149 014</u>	<u>925 839</u>	<u>2 793 900</u>
		3 430 716	5 328 723	3 068 876	4 727 802
Current liabilities					
Creditors	18	1 454 000	1 445 490	1 300 643	1 282 481
Loans (excluding accrued interests)	19	2 044 515	2 002 879	1 828 880	1 777 014
Taxation	11	<u>-</u>	<u>72 218</u>	<u>-</u>	<u>64 074</u>
		3 498 515	3 520 587	3 129 523	3 123 569
Net current assets		(67 799)	1 808 136	(60 647)	1 604 233
Total assets less current liabilities		54 888 142	48 798 701	49 099 090	43 295 671
Long-term liabilities					
Loans	19	2 952 008	3 633 971	2 640 660	3 224 168
Provisions	20	103 565	286 462	92 642	254 158
Investment Grant	24	723 580	782 130	647 264	693 929
Creditors	18 (2)	<u>-</u>	<u>275 000</u>	<u>-</u>	<u>243 988</u>
		3 779 153	4 977 563	3 380 566	4 416 243
Total net assets		51 108 989	43 821 138	45 718 524	38 879 428
Unrestricted funds					
Revaluation reserves	21	30 084 515	23 067 596	26 911 502	20 466 264
Special and other reserves	21	<u>21 024 474</u>	<u>20 753 542</u>	<u>18 807 022</u>	<u>18 413 164</u>
Total unrestricted funds		51 108 989	43 821 138	45 718 524	38 879 428

*Swale
Angeles*

*Michel DE FABIANI
mchm*

HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

STATEMENT OF CASH FLOW

For the year ended 31 December 2018

	Notes	2018 €	2017 €	2018 £	2017 £
Cash flow from operating activities					
Net incoming resources for year		270 932	2 300 850	242 356	2 041 383
Depreciation		171 953	168 737	153 817	149 709
Decrease / (increase) in debtors		(74 819)	210 161	(66 928)	186 461
Increase / (decrease) in creditors		(266 490)	(591 785)	(238 383)	(525 051)
Increase / (decrease) in provisions	20	(182 897)	(292 460)	(163 607)	(259 479)
Increase / (decrease) in investment grant		<u>(58 550)</u>	<u>(58 550)</u>	<u>(52 375)</u>	<u>(51 947)</u>
Cash generated by operating activities		<u>(139 871)</u>	<u>1 736 953</u>	<u>(125 120)</u>	<u>1 541 076</u>
Taxation paid		<u>(72 218)</u>	<u>(108 216)</u>	<u>(64 601)</u>	<u>(96 012)</u>
Investing activities					
Net acquisition intangible assets	12	-	4 665	-	4 139
Net acquisition of fixed assets	13	(822)	(6 205)	(735)	(5 505)
Renovation of investment properties	14	(1 113 081)	(291 703)	(995 684)	(258 808)
Proceeds from disposal of financial assets	16	<u>(6 507)</u>	-	<u>(5 820)</u>	-
Cash applied to investing activities		<u>(1 120 410)</u>	<u>(293 243)</u>	<u>(1 002 239)</u>	<u>(260 174)</u>
Net cash (outflow) / inflow before financing		<u>(1 332 499)</u>	<u>1 335 494</u>	<u>(1 191 960)</u>	<u>1 184 890</u>
Financing activities					
Repayment of long-term loans		<u>(677 109)</u>	<u>(667 027)</u>	<u>(605 694)</u>	<u>(591 806)</u>
Cash applied to financing activities		<u>(677 109)</u>	<u>(667 027)</u>	<u>(605 694)</u>	<u>(591 806)</u>
Net cash applied		<u>(2 009 608)</u>	<u>668 467</u>	<u>(1 797 654)</u>	<u>593 084</u>
Net opening cash		<u>3 220 801</u>	<u>2 552 334</u>	<u>2 881 103</u>	<u>2 264 508</u>
Net closing cash/(shortfall)		<u>1 211 193</u>	<u>3 220 801</u>	<u>1 083 449</u>	<u>2 857 592</u>
Net closing cash /(shortfall)					
Cash at bank and in hand		1 512 923	1 390 993	1 353 355	1 234 130
Sinking Fund	25	1 035 000	3 149 014	925 839	2 793 900
Short term investments		19 258	-	17 227	-
Current liabilities - short term bank loans	19	<u>(1 355 988)</u>	<u>(1 319 206)</u>	<u>(1 212 972)</u>	<u>(1 170 439)</u>
Net closing cash / (shortfall)		<u>1 211 193</u>	<u>3 220 801</u>	<u>1 083 449</u>	<u>2 857 592</u>



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS

For the year ended 31 December 2018

1. Legal status, activities and financing

Hertford British Hospital Corporation, Paris, was incorporated in the United Kingdom on 10 May 1966 as a company limited by guarantee and not having a share capital. The corporation was established for purposes which are exclusively charitable, and in this context undertakes the management of a specialist centre in dermatology (C.I.D.), and participates in the management of the Institut Hospitalier Franco-Britannique (I.H.F.B.).

The Corporation owns a portfolio of investment properties.

2. The Specialist Centre, C.I.D.

The C.I.D. charges patients at the French Health rates.

3. Significant events

a) Loan subscriptions

No new loans were subscribed in 2018. Loan repayments on outstanding loans were made in accordance with their contractual terms for €677k (£606k).

b) O.P.S - I.H.F.B.

The amendment, signed on 22 July 2015, to the 2008 Agreement with O.P.S. provides in article 13.2 that our Charity will participate in the accumulated deficits of I.H.F.B. as follows:

- With regard to years 2008 to 2013, for an amount of €1.75m (£1.57m)
- With regard to years 2014 to 2019, for an amount of €1.65m (£1.48m).

This contribution to I.H.F.B. which had been accounted for €3.4m (£3.0m) as at 31 December 2014, has been paid in an amount of €1.42m (£1.27m) in 2015, €712k (£637k) in 2016, €713k (£638k) in 2017 and €275k (£246k) in 2018.

The remaining contribution due by the Charity at 31st December 2018 is €275k (£246k) payable in 2019.

After 2019 the Charity has no legal obligation to fund deficits incurred by I.H.F.B.

c) General Data Protection Regulation (GDPR)

The GDPR came into force on 25th May 2018 and the Charity is taking the necessary steps to ensure compliance.



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

4. Accounting policies

Basis of preparation

The financial statements incorporate the CID specialist centre activities and the investment property management and commercial letting activities of the Corporation. They have been prepared under the historic cost convention, with the exception of investments in property which are included at market value.

The financial statements have been prepared in accordance with the Statement of Recommended Practice–Charities (FRS 102) issued in July 2014, applicable UK Accounting Standards and the Companies Act 2006. The principal accounting policies adopted in the preparation of the financial statements are set out below.

(a) Functional and reporting currencies

The functional and reporting currency of the Corporation is the Euro. Financial information is also presented in these accounts in pounds sterling, using year-end rates of exchange in translating all assets, liabilities, funds, income, expenditure and cash flows.

(31.12.2018 : € 1 = £ 0.89453 ; 31.12.17 : € 1 = £ 0.88723).

(b) Income and endowments

Investment income is recognised on an accruals basis.

Health services income is recognised as earned as and when the related medical services are provided. Financing from the French government included in this category is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability.

(c) Health services income includes investment and other grants received. Investment grants relating to specific items of capital expenditure are credited to income on the basis of the depreciation plan of the related equipment. Other grants are credited to income on expectation of receipt.

(d) Expenditure

Expenditure is recognised when a liability is incurred.

Costs of generating funds include let property expenses and interest on loans relating to the renovation of the Corporation's investment properties.

Charitable activities include health services expenditure and comprise both the direct costs and support costs related to this activity. Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with corporate and statutory requirements.



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

(e) Irrecoverable VAT

All amounts expended are classified under activity headings that aggregate all costs related to the category. Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

(f) Intangible fixed assets

Intangible fixed assets comprised establishment costs, computer licences and software and are amortised over a five year period.

(g) Tangible fixed assets

Tangible fixed assets are stated at cost. Only those assets in use for medical purposes are classified as tangible fixed assets, investment properties being classified separately. Individual fixed assets are capitalised at cost. No depreciation is provided on assets under construction. Depreciation of other tangible fixed assets is calculated on the straight-line method at annual rates designed to write off the cost or valuation over their estimated useful lives.

Depreciation rates are as follows :

	<u>%</u>	<u>Years</u>
Buildings :		
• Structure	1.67 to 1.25	60 to 80
• Facades, roofing, external fixtures	3.33 to 2.5	30 to 40
• Fixed equipment	5 to 3.33	20 to 30
• Fixtures & fittings	10 to 4	10 to 25
• Medical and computer equipment	20	5
• Furniture and other equipment	20 to 8	5 to 12.5

(h) Investment grants received

Investment grants received to finance the acquisition of fixed assets are recorded in the profit and loss account on the basis of the depreciation plan of the equipment. Other grants received are credited to income on receipt.

(i) Investment properties

Investment properties are stated at market value as determined by the Trustees on the basis of surveys performed by professional advisors (see note 14). Gains and losses arising in the year are included as recognised gains and losses in the statement of financial activities. Unrealised gains on investment properties are separately disclosed within unrestricted funds.

(j) Short-term investments

These are stated at market value at the balance sheet date



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS**NOTES TO THE ACCOUNTS (contd.)****(k) Retirement benefits**

Under the terms of employer/employee agreements, employees retiring in service are entitled to a lump sum payment on retirement which typically amounts to between three and six months final salary. Provisions are set up for estimated amounts payable.

In order to finance the future retirement payments, H.B.H.C. subscribed in November 2016, an insurance coverage with Société Générale. The insurance premium paid at the end of the year amounted to €100.000 (£88.723). An equivalent amount has been released from the retirement provision.

As from Year End 2018, all retirement benefit liabilities have been taken into consideration as a debt in the accounts.

This is the preferred method used in France and is also the required method in UK reporting standards.



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (Contd)

5. Income from Investments

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	€	€	£	£
Let property income				
Rental income and indemnities	1 416 322	2 896 950	1 266 943	2 570 261
Other charges invoiced to tenants	<u>488 591</u>	<u>657 787</u>	<u>437 059</u>	<u>583 608</u>
	<u>1 904 913</u>	<u>3 554 737</u>	<u>1 704 002</u>	<u>3 153 869</u>
Interest income				
Exchange gain / (loss) net	<u>1 194</u>	<u>-</u>	<u>1 068</u>	<u>-</u>
Total income from Investments	<u>1 906 107</u>	<u>3 554 737</u>	<u>1 705 070</u>	<u>3 153 869</u>

6. Health services income

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	€	€	£	£
Health services income				
Patients fees CID	1 057 080	1 021 559	945 590	906 358
Grant	61 380	65 148	54 906	57 801
Right of lease on Hospital's building	119 000	119 000	106 449	105 580
Other	<u>151 562</u>	<u>74 877</u>	<u>135 577</u>	<u>66 433</u>
Total Health services income	<u>1 389 022</u>	<u>1 280 584</u>	<u>1 242 522</u>	<u>1 136 172</u>

7. Expenditure on Raising funds

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	€	€	£	£
Let property expenses				
Expenses recoverable from tenants	293 932	289 621	262 931	256 960
Taxes recoverable from tenants	194 659	368 166	174 128	326 648
Property taxes	236 593	63 039	211 640	55 930
Other costs and expenses	<u>486 331</u>	<u>53 745</u>	<u>435 038</u>	<u>47 684</u>
	<u>1 211 515</u>	<u>774 571</u>	<u>1 083 737</u>	<u>687 222</u>
Interest on borrowings				
<i>Investment properties :</i>				
Interest on loans	203 875	238 591	182 372	211 685
Bank interests	<u>1 500</u>	<u>1 161</u>	<u>1 342</u>	<u>1 030</u>
	<u>205 375</u>	<u>239 752</u>	<u>183 714</u>	<u>212 715</u>
Total expenditure on Raising funds	<u>1 416 890</u>	<u>1 014 323</u>	<u>1 267 451</u>	<u>899 937</u>



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

8. Health services expenditure

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	€	€	£	£
Provision of health services				
Staff costs	981 731	959 860	878 188	851 617
Materials and consumables	44 960	34 465	40 218	30 578
Laundry	15 276	14 977	13 665	13 288
Other external costs	203 570	191 651	182 099	170 039
Taxes, other than on income	62 877	71 900	56 245	63 792
Provisions	79 847	-	71 426	-
Other costs and expenses	49	1 135	44	1 007
	<u>1 388 310</u>	<u>1 273 988</u>	<u>1 241 885</u>	<u>1 130 321</u>
Depreciation				
<i>Hospital :</i>				
Buildings	147 084	147 083	131 571	130 496
Intangible assets	9 814	10 253	8 779	9 097
	<u>156 898</u>	<u>157 336</u>	<u>140 350</u>	<u>139 593</u>
Total health services expenditure	<u>1 545 208</u>	<u>1 431 324</u>	<u>1 382 235</u>	<u>1 269 914</u>

Staff costs

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	€	€	£	£
Salary costs	709 502	688 976	634 671	611 281
Social security costs	<u>345 001</u>	<u>331 196</u>	<u>308 614</u>	<u>293 847</u>
	<u>1 054 503</u>	<u>1 020 172</u>	<u>943 285</u>	<u>905 128</u>
Health services	981 731	959 860	878 188	851 617
Administration	<u>72 772</u>	<u>60 312</u>	<u>65 097</u>	<u>53 511</u>
	<u>1 054 503</u>	<u>1 020 172</u>	<u>943 285</u>	<u>905 128</u>

The trustees are not remunerated for their services but some direct expenses incurred in the performance of their duties are reimbursed by the Corporation.

	<u>2018</u>	<u>2017</u>
Average number of employees :		
Health services	16	16
Administration	<u>6</u>	<u>5</u>
	<u>22</u>	<u>21</u>

N° of
employees

Emoluments of employees :	
Between £ 50 000 and £ 75 000	3
(€ 60 000 and € 80 000)	
Above £ 75 000 (€ 80 000)	0



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

9. Indemnity insurance

Included in the costs for the provision of health services are the undernoted insurance premiums which provide for protection from loss arising from the neglect or defaults of trustees, employees or agents and indemnification of trustees against the consequences of any neglect or default on their part.

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	€	€	£	£
Premiums	<u>2 861</u>	<u>2 805</u>	<u>2 559</u>	<u>2 489</u>

10. Governance costs

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	€	€	£	£
Staff costs	72 772	60 312	65 097	53 511
Provision for retirement indemnities	23 718	-	21 216	-
Audit fees	23 271	18 072	20 817	16 034
Legal fees	1 151	1 126	1 030	999
Depreciation	<u>15 055</u>	<u>16 066</u>	<u>13 467</u>	<u>14 254</u>
	<u>135 967</u>	<u>95 576</u>	<u>121 627</u>	<u>84 798</u>



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

11. Taxation

Corporation tax has been provided at the rate applicable to entities registered as non-profit associations according to the applicable French law of 1 July 1901. This tax rate is 24 % on the excess of rental income and investment income received during the year over related expenses paid during the year. Expenses include interest on loans taken out to finance the construction of investment properties, insurance, other investment property management costs, and depreciation.

In 2018, there is no tax payable due to the loss result resulting from the renovation work.

12. Intangible assets

Intangible assets comprise establishment costs, computer licenses and software are as follows :

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	€	€	£	£
Cost	88 301	88 301	78 988	78 343
Aggregate depreciation	<u>(77 959)</u>	<u>(68 145)</u>	<u>(69 737)</u>	<u>(60 460)</u>
Net book value	<u>10 342</u>	<u>20 156</u>	<u>9 251</u>	<u>17 883</u>



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

13. Tangible fixed assets

(a) Summary

		(b)	(c)
		Buildings	Other
		Health	tangible fixed
		Services	assets -
	<u>Total</u>	<u>Administration</u>	
	€	€	€
Cost or valuation :			
At 1 January 2018	11 076 064	10 825 659	250 405
Additions	822	-	822
At 31 December 2018	<u>11 076 886</u>	<u>10 825 659</u>	<u>251 227</u>
Aggregate depreciation :			
At 1 January 2018	8 075 655	7 890 777	184 878
Charge for year	162 139	147 084	15 055
At 31 December 2018	<u>8 237 794</u>	<u>8 037 861</u>	<u>199 933</u>
Net book value :			
At 1 January 2018	<u>3 000 409</u>	<u>2 934 882</u>	<u>65 527</u>
At 31 December 2018	<u>2 839 092</u>	<u>2 787 798</u>	<u>51 294</u>

		(b)	(c)
		Buildings	Other tangible
		Health	fixed assets -
		Services	Administration
	<u>Total</u>	<u>Administration</u>	
	£	£	£
Cost or valuation :			
At 1 January 2018	9 827 016	9 604 849	222 167
Additions	735	-	735
Exchange difference	80 855	79 027	1 828
At 31 December 2018	<u>9 908 606</u>	<u>9 683 876</u>	<u>224 730</u>
Aggregate depreciation :			
At 1 January 2018	7 164 964	7 000 934	164 030
Charge for year	145 038	131 571	13 467
Disposals	-	-	-
Exchange difference	58 952	57 603	1 349
At 31 December 2018	<u>7 368 954</u>	<u>7 190 108</u>	<u>178 846</u>
Net book value :			
At 1 January 2018	<u>2 662 052</u>	<u>2 603 915</u>	<u>58 137</u>
At 31 December 2018	<u>2 539 652</u>	<u>2 493 768</u>	<u>45 884</u>



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

(b) Buildings

	<u>Total</u>	Buildings Hospital <u>1990</u>	Buildings Hospital <u>1982</u>	Buildings Hospital <u>1974</u>	Part of Buildings <u>Barbès</u>	Part of Land- <u>Barbès</u>
	€	€	€	€	€	€
Cost :						
At 1 January 2018	<u>10 825 659</u>	<u>3 046 184</u>	<u>5 265 953</u>	<u>1 593 324</u>	<u>846 435</u>	<u>73 763</u>
At 31 December 2018	<u>10 825 659</u>	<u>3 046 184</u>	<u>5 265 953</u>	<u>1 593 324</u>	<u>846 435</u>	<u>73 763</u>
Aggregate depreciation :						
At 1 January 2018	7 890 777	2 021 830	3 581 777	1 593 324	693 846	-
Charge for year	<u>147 084</u>	<u>51 253</u>	<u>88 393</u>	-	<u>7 438</u>	-
At 31 December 2018	<u>8 037 861</u>	<u>2 073 083</u>	<u>3 670 170</u>	<u>1 593 324</u>	<u>701 284</u>	-
Net book value :						
At 1 January 2018	<u>2 934 882</u>	<u>1 024 354</u>	<u>1 684 176</u>	-	<u>152 589</u>	<u>73 763</u>
At 31 December 2018	<u>2 787 798</u>	<u>973 101</u>	<u>1 595 783</u>	-	<u>145 151</u>	<u>73 763</u>

	<u>Total</u>	Buildings Hospital <u>1990</u>	Buildings Hospital <u>1982</u>	Buildings Hospital <u>1974</u>	Part of Buildings <u>Barbès</u>	Part of Land- <u>Barbès</u>
	£	£	£	£	£	£
Cost :						
At 1 January 2018	9 604 849	2 702 666	4 672 111	1 413 645	750 983	65 445
Exchange difference	<u>79 027</u>	<u>22 237</u>	<u>38 442</u>	<u>11 631</u>	<u>6 179</u>	<u>538</u>
At 31 December 2018	<u>9 683 876</u>	<u>2 724 903</u>	<u>4 710 553</u>	<u>1 425 276</u>	<u>757 162</u>	<u>65 983</u>
Aggregate depreciation :						
At 1 January 2018	7 000 934	1 793 828	3 177 860	1 413 645	615 601	-
Charge for year	131 571	45 847	79 070	-	6 654	-
Exchange difference	<u>57 603</u>	<u>14 760</u>	<u>26 147</u>	<u>11 631</u>	<u>5 065</u>	-
At 31 December 2018	<u>7 190 108</u>	<u>1 854 435</u>	<u>3 283 077</u>	<u>1 425 276</u>	<u>627 320</u>	-
Net book value :						
At 1 January 2018	<u>2 603 915</u>	<u>908 838</u>	<u>1 494 251</u>	-	<u>135 382</u>	<u>65 445</u>
At 31 December 2018	<u>2 493 768</u>	<u>870 468</u>	<u>1 427 476</u>	-	<u>129 842</u>	<u>65 983</u>



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

(c) Other tangible fixed assets - administration

	<u>Total</u>	<u>Furniture</u>	<u>Computer equipment</u>
	€	€	€
Cost :			
At 1 January 2018	250 405	204 772	45 633
Additions	<u>822</u>	<u>-</u>	<u>822</u>
At 31 December 2018	<u>251 227</u>	<u>204 772</u>	<u>46 455</u>
Aggregate depreciation :			
At 1 January 2018	184 878	152 969	31 909
Charge for year	<u>15 055</u>	<u>10 744</u>	<u>4 311</u>
At 31 December 2018	<u>199 933</u>	<u>163 713</u>	<u>36 220</u>
Net book value :			
At 1 January 2018	<u>65 527</u>	<u>51 803</u>	<u>13 724</u>
At 31 December 2018	<u>51 294</u>	<u>41 059</u>	<u>10 235</u>

	<u>Total</u>	<u>Furniture</u>	<u>Computer equipment</u>
	£	£	£
Cost :			
At 1 January 2018	222 167	181 680	40 487
Additions	<u>735</u>	<u>-</u>	<u>735</u>
Exchange difference	<u>1 828</u>	<u>1 495</u>	<u>333</u>
At 31 December 2018	<u>224 730</u>	<u>183 175</u>	<u>41 555</u>
Aggregate depreciation :			
At 1 January 2018	164 030	135 719	28 311
Charge for year	<u>13 467</u>	<u>9 611</u>	<u>3 856</u>
Exchange difference	<u>1 349</u>	<u>1 116</u>	<u>233</u>
At 31 December 2018	<u>178 846</u>	<u>146 446</u>	<u>32 400</u>
Net book value :			
At 1 January 2018	<u>58 137</u>	<u>45 961</u>	<u>12 176</u>
At 31 December 2018	<u>45 884</u>	<u>36 729</u>	<u>9 155</u>



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

14. Investment properties

	<u>Total</u> €
Historical cost :	
At 31 December 2018	<u>24 657 849</u>
Market value :	
At 1 January 2018	43 970 000
Fixed assets - increase	1 113 081
Reevaluation of properties	<u>7 016 919</u>
At 31 December 2018	<u>52 100 000</u>

	<u>Total</u> £
Historical cost :	
At 31 December 2018	<u>22 057 185</u>
At 1 January 2018	39 011 503
Movement in the year	995 684
Reevaluation of properties	6 276 845
Exchange difference	<u>320 981</u>
At 31 December 2018	<u>46 605 013</u>

Investment properties include :

- Land and buildings of the Villiers site (Levallois, France) :
3 buildings located at 1 rue Barbès, 2 rue Voltaire, 48 rue de Villiers
- Part of the land and the building at the Barbès site (Levallois, France) :
building located at 12 rue Barbès



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

(a) Valuation of investment properties

The Trustees have determined the market values of investment properties on the basis of recent surveys undertaken by professional property managers on the Barbès offices (Barbès site), the Voltaire/Barbes offices (Villiers site) and the Château. A valuation of the Villiers site was carried out in May 2019, with effect on 31st December 2018. Other properties were valued in 2016 and 2017.

(b) Land and buildings - Barbès

Although the Barbès building is principally held for investment purposes approximately one third of the floor area of the building is occupied by the British Charitable Fund, apartments and the C.I.D., and these parts are recorded as tangible fixed assets. The remaining two-thirds of the building are held for open-market letting purposes and are recorded as an investment property. Land is also considered to be held in similar proportions.

15. Secretary of State for the Environment

The land on which is situated the current hospital buildings and the Villiers investment properties (which include the original hospital building now converted to offices) was, together with the buildings then existing, the subject of a gift on 30 July 1898 in favour of the predecessor of the United Kingdom Secretary of State for the Environment. He was deemed, under English law, to have accepted the gift of the land in his capacity of trustee for the original Hospital charity. Following a scheme of arrangement dated 2 November 1977, the Charity Commissioners for England and Wales confirmed that the land and buildings continue to be vested in the Secretary of State for the Environment and that their management and administration is undertaken by the members of the Council of Management of the Corporation who are also Trustees of the charity.

16. Financial assets

Financial assets comprise the following :

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	€	€	£	£
Loans under compulsory housing scheme	3 865	-	3 457	-
Guarantee deposits	<u>2 642</u>	<u>-</u>	<u>2 364</u>	<u>-</u>
	<u>6 507</u>	<u>-</u>	<u>5 821</u>	<u>-</u>



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

17. Debtors	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	€	€	£	£
Receivables from health services and patients	5 200	6 281	4 652	5 573
Stock of consumables	8 519	7 697	7 621	6 829
Other debtors and prepayments	160 968	101 043	143 987	89 648
Dexia, payment in advance on loan	198 306	-	177 391	-
VAT due, net	-	39 950	-	35 445
Receivable from I.H.F.B.	-	34 346	-	30 473
Investment grant from ARS to be received from I.H.F.B.	330 042	406 799	295 232	360 924
Investment grant on cost overrun of the smoke extraction to be received from I.H.F.B.	<u>160 500</u>	<u>192 600</u>	<u>143 572</u>	<u>170 880</u>
	<u>863 535</u>	<u>788 716</u>	<u>772 455</u>	<u>699 772</u>
18. Creditors	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	€	€	£	£
Social security costs	74 349	75 174	66 507	66 697
Provision for holiday pay	86 433	77 099	77 317	68 405
Suppliers	141 964	402 505	126 991	357 115
Deposits received from tenants	629 247	273 927	562 880	243 036
VAT due, net	1 290	-	1 154	-
Other taxes	9 132	9 391	8 169	8 332
Right of lease (1)	119 000	238 000	106 449	211 161
IHFB Contribution (2)	275 000	550 000	245 996	487 977
Rent paid in advance Orange	9 363	9 363	8 375	8 307
Due to I.H.F.B.	3 254	-	2 911	-
Accrued interest on loans	49 726	58 840	44 481	52 205
Other creditors and accruals	<u>55 242</u>	<u>26 191</u>	<u>49 413</u>	<u>23 234</u>
	<u>1 454 000</u>	<u>1 720 490</u>	<u>1 300 643</u>	<u>1 526 469</u>

(1) This refers to the use of the hospital buildings by the I.H.F.B. As at 31st December 2018, this occupancy right covers a period of occupancy by the I.H.F.B. of one further year.

(2) Under the terms of the Amendment to its Agreement with OPS dated 2008 it was agreed that our Charity would participate in the accumulated deficits of OPS from 2008 to 2013 (1.57m£/1.75m€) and make a contribution for the period 2014 to 2019 (1.48m£/1.65m€). The Charity will have no legal obligation to fund deficits incurred by OPS after 2019.

In 2018, the amount paid was 246k£/275k€. The amount payable in 2019 is shown in current liabilities in 2018 (246k£/275k€).



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

19. Loans

(a) Summary

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	€	€	£	£
Short-term bank loans	1 355 988	1 319 206	1 212 972	1 170 439
Short-term portion of property loans	<u>688 527</u>	<u>683 673</u>	<u>615 908</u>	<u>606 575</u>
Total short-term loans	2 044 515	2 002 879	1 828 880	1 777 014
Long-term portion of property loans	<u>2 952 008</u>	<u>3 633 971</u>	<u>2 640 660</u>	<u>3 224 168</u>
Total loans	<u>4 996 523</u>	<u>5 636 850</u>	<u>4 469 540</u>	<u>5 001 182</u>

(b) Property loans

	<u>Notes</u>	<u>Total</u>	<u>Long-term</u>	<u>Short-term</u>
		€	portion	portion
		€	€	€
At 1 January 2018 :				
Dexia	(a)	3 904 643	3 303 929	600 714
Société Générale	(b)	<u>413 001</u>	<u>330 042</u>	<u>82 959</u>
Total		<u>4 317 644</u>	<u>3 633 971</u>	<u>683 673</u>
At 31 December 2018 :				
Dexia	(a)	3 303 929	2 703 215	600 714
Société Générale	(b)	<u>336 606</u>	<u>248 793</u>	<u>87 813</u>
Total		<u>3 640 535</u>	<u>2 952 008</u>	<u>688 527</u>

	<u>Notes</u>	<u>Total</u>	<u>Long-term</u>	<u>Short-term</u>
		£	portion	portion
		£	£	£
At 1 January 2018 :				
Dexia	(a)	3 464 316	2 931 345	532 971
Société Générale	(b)	<u>366 427</u>	<u>292 823</u>	<u>73 604</u>
Total		<u>3 830 743</u>	<u>3 224 168</u>	<u>606 575</u>
At 31 December 2018 :				
Dexia	(a)	2 955 464	2 418 107	537 357
Société Générale	(b)	<u>301 104</u>	<u>222 553</u>	<u>78 551</u>
Total		<u>3 256 568</u>	<u>2 640 660</u>	<u>615 908</u>

	<u>Amount</u>	<u>Amount</u>	<u>Amount due as</u>	<u>Duration</u>	<u>Interest</u>
	<u>subscribed</u>	<u>drawn down</u>	<u>at December</u>		<u>rate</u>
	€	at December	at December		
	€	31st, 2018	31st, 2018		
(a) Dexia					
Renovation of the Villiers building	<u>8 700 000</u>	<u>8 700 000</u>	<u>3 303 929</u>	15 years from December 2008	5,70% fixed rate
(b) Société Générale					
Smoke extraction	<u>850 000</u>	<u>850 000</u>	<u>336 606</u>	12 years from September 2009	5,70% fixed rate



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

20. Provisions

(a) Summary

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	€	€	£	£
Provisions comprise the following :				
Retirement indemnities IHFB *	-	212 595	-	188 621
Retirement indemnities HBHC/CID **	<u>103 565</u>	<u>73 867</u>	<u>92 642</u>	<u>65 537</u>
	<u>103 565</u>	<u>286 462</u>	<u>92 642</u>	<u>254 158</u>

* Provision for retirement benefits due to former HBH employees currently employed by I.H.F.B. and payable by HBHC on the date of retirement of employees.

Pursuant to Section 5.1 of the Partial Contribution Agreement signed on May 30, 2008 between HBHC and OPS, the balance due by HBHC calculated as at December 31, 2019 becomes due in full by June 30, 2020.

The amount provisioned in 2017 for 213k€ (191k£) was recorded in the accounts in 2018 as an expense (see (b) below).

** Amounts due for employees of H.B.H.C. as of December 31, 2018 are estimated at 80k € (72k£) for the CID and 24k€ (21k£) for HBHC.

This estimate takes into account the 100k € (89k £) paid for life insurance coverage.

(b) Movements

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	€	€	£	£
The movements during the year were as follows :				
At 1 January	286 462	578 922	254 158	495 661
Additions	29 698		26 566	-
Utilised	(212 595)	(285 707)	(190 173)	(253 488)
Reversed	-	(6 753)	-	(5 991)
Exchange difference	-	-	2 091	17 976
At 31 December	<u>103 565</u>	<u>286 462</u>	<u>92 642</u>	<u>254 158</u>



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

21. Unrestricted funds

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	€	€	£	£
Revaluation reserves :				
1967 Revaluation land Barbès	198 184	198 184	177 282	175 835
1974 Revaluation other fixed assets	<u>472 195</u>	<u>472 195</u>	<u>422 393</u>	<u>418 946</u>
	<u>670 379</u>	<u>670 379</u>	<u>599 675</u>	<u>594 781</u>
Unrealised gains on investment properties:				
Revaluation reserve	<u>29 414 136</u>	<u>22 397 217</u>	<u>26 311 827</u>	<u>19 871 483</u>
Total revaluation reserves	<u>30 084 515</u>	<u>23 067 596</u>	<u>26 911 502</u>	<u>20 466 264</u>
Special reserves:				
Investment reserve	338 632	338 632	302 916	300 444
Treasury reserve	<u>549 156</u>	<u>549 156</u>	<u>491 237</u>	<u>487 228</u>
Total special reserves	<u>887 788</u>	<u>887 788</u>	<u>794 153</u>	<u>787 672</u>
Other reserves :				
Reserve for the refurbishment of investment properties	1 000 000	1 000 000	894 530	887 230
1982 Grant from « Service de la coordination de l'Action Economique du département des Hauts-de-Seine »	1 102 352	1 102 352	986 087	978 040
Various other funds	<u>1 310 983</u>	<u>1 310 983</u>	<u>1 172 714</u>	<u>1 163 143</u>
	3 413 335	3 413 335	3 053 331	3 028 413
General funds	<u>16 723 351</u>	<u>16 452 419</u>	<u>14 959 538</u>	<u>14 597 079</u>
Total other reserves	<u>20 136 686</u>	<u>19 865 754</u>	<u>18 012 869</u>	<u>17 625 492</u>
Total unrestricted funds	<u>51 108 989</u>	<u>43 821 138</u>	<u>45 718 524</u>	<u>38 879 428</u>

Based on the annual market value analysis of investment properties, revaluation reserves were increased during the financial year by € 7.017 k (£ 6.277 k), before the impact of exchange rate variation.

22. Charitable Activities

As charitable contributions, rent was not charged to the following entities :

- British Charitable Funds (50m2) : Value € 15.000 p.a
- Centre International de Dermatologie (330m2) : Value € 100.000 p.a



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

23. Commitments

(a) Grant from « Département des Hauts-de-Seine »

Under the terms of the grant received in 1982 from « Service de la coordination de l'Action Economique du département des Hauts-de-Seine » amounting to £ 978 040 (€ 1 102 352), this amount is definitively acquired over a period of 40 years. In the event that the Hospital activity contributed to the I.H.F.B. should cease to operate within the French social security system, a pro-rata reimbursement will be required. The contingent reimbursement at 31st December 2018 (based on 4 years outstanding) amounted to £ 98 609 (€ 110 235).

(b) Warranty agreements

In the context of the transfer of the hospital activity to IHFB, HBHC entered into a warranty agreement concerning the assets and liabilities of the joint hospital. The warranties expired on December 31st, 2012 except in relation to the performance and termination of service agreements where liability is limited to the legal prescription period. Claims for medical negligence are also included up to expiration of the legal prescription period on condition that they benefit from insurance cover of 10 million euros per claim with a maximum of 20 million euros per annum.

The total amount which HBHC could be required to pay under the warranties is limited to 10 million euros.

(c) Dexia commitments

At 31st December 2018, loans amounting to €3.303.929 from Dexia were secured by a mortgage on the building located at 12 rue Barbès plus a charge on future rents from the 1 rue Barbès/2 rue Voltaire buildings. With the departure of the tenants of the rue Barbès/rue Voltaire buildings on 31st March 2018, the charge on future rents is ineffective and will not be effective until the rents from the new tenant come on stream in September 2020. A new charge effective from September 2020 has been put in place. In the meantime our cash forecasts show that the HBHC can meet the Dexia reimbursements in full.

24. Investment grants

Investment grants break down as follows:

	€	£
• Initial investment grant:	525 229	469 833
• Smoke extraction additional grant:	198 351	177 431
Total	723 580	647 264



HERTFORD BRITISH HOSPITAL CORPORATION, PARIS

NOTES TO THE ACCOUNTS (contd.)

During 2011, the Corporation recorded the undertaking given by l'Œuvre du Perpétuel Secours (OPS), following the transfer of the HBH's hospital activity to OPS dated 2008, to refund to the Corporation the funds received from l'Agence Régionale d'Hospitalisation de l'Ile de France relating to the upgrade of the hospital. In this context, OPS has undertaken to reimburse in full the loan subscribed by the Corporation to finance the installation of a smoke extractor system in the hospital building. As a consequence, the Corporation has recorded an investment grant of € 837 564 (£ 749 226) (covering the amount of the loan as at 1st January 2011. (Balance as at 31 December 2018 : € 525 229 (£ 469 833))).

This investment grant is reimbursed by offsetting the loan installments paid by the Corporation against the amounts due by it to OPS but the grant is treated in the accounts as a profit over the duration of the depreciation period corresponding to the smoke extractor system (20 years). The loan interest payments are recharged to OPS and deducted from the interest expense.

In 2014, OPS agreed to reimburse € 321 000 (£ 287 144) of additional costs related to "désenfumage" (smoke extraction). This amount has been considered as an additional grant and follows the same accounting treatment as the initial grant (treatment described above). The balance of this additional grant is € 198 351 (£ 177 431) as at 31 December 2018.

25. Sinking Fund

The deposit account of €1.035m (£926k) is expected to be fully utilised in 2019 as rental incomes are forecast to be low. When the Wallace Gardens office premises rental income comes on stream in 2020, and as soon as cash flows permit, a sinking fund will be reconstituted out of available cash flows.

26. Post year-end events

The significant subsequent events are as follows :

- The company Zalthabar, tenant of the Château building, is disputing the business tax recovered from the company since it took over the tenancy in 2015, amounting to €135,587. Zalthabar claims that it should not be subject to this business tax because of the nature of its operations, which it believes mean that it should be exempt. The premises it occupies are registered as business premises, as mentioned in the lease. There are further breaches of the lease arrangements. It is proposed that a protocol should be executed as the tenants have verbally accepted that the breaches should be rectified and outstanding amounts paid.

- A fiscal review was commissioned in the first quarter 2019 and the Finance, Risk and Audit Committee is considering the issues that arise from this review and whether further advice should be taken.

