

**King Edward VII's
Hospital**

**Annual Report and
Financial Statements**

31 March 2020

Charity Registration Number
208944

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King Edward VII's Hospital (St Agnes)

Annual Report and Financial Statements for the year ended 31 March 2020

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1 Trustees' annual report

INTRODUCTION AND WELCOME FROM THE CHAIRMAN

The King Edward VII's Hospital (St Agnes), has a proud history dating back over 120 years and enjoys an international reputation for offering the highest standards of care.

Firstly, a thank you to our management and staff. I am tremendously proud of the role that King Edward VII's Hospital has played in partnering with the NHS over the past months. In these most challenging of times, our Hospital acted without hesitation to continue to care for patients, and this would not have been possible without the commitment and professionalism of our team, for which I am extremely grateful.

Whilst pleased to have achieved a 'Good' Care Quality Commission (CQC) rating, the Hospital is on a 'Journey to Outstanding', with a focus on continuous improvement in all we do.

We were delighted to be awarded the Laing Buisson 2019 Innovation in Care Award, for our Veterans' Health Centre Pain Management Programme; this Programme continues to have a profound impact on the daily lives of those it cares for. We have been

able to continue this Programme virtually during lockdown.

Building delays, exacerbated by COVID-19, have meant that we yet to open our new outpatient and imaging centre, but the Hospital has continued to introduce new services and attract new consultants. Before activity was impacted by COVID-19, we were seeing real growth in the number of patients being treated within the Hospital.

Our Trustees continue to look to the future with confidence. Whilst we recognise the challenges, including that of the continuing COVID-19 pandemic, we also see growing opportunities for building a sustainable model to enable the future success of the Hospital.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2020

The Trustees are pleased to present their report, together with the financial statements of the Charity, for the year ended 31 March 2020.

The annual report and financial statements have been prepared in accordance with the accounting policies set out on pages 28 to 33 of the attached financial statements and comply with applicable law and the requirements of the Accounting and Reporting by Charities; Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

The Trustees confirm that they have complied with section 17 of the Charities Act 2011 to have due regards to the Charity Commission's guidance (both general and supplementary in relation to public benefit).

Reference and Administrative Details

Principal Office:

King Edward VII Hospital
5-10 Beaumont Street, Marylebone, London,
W1G 6AA

Auditors

Buzzacott LLP
130 Wood Street, London, EC2V 6DL

Bankers

National Westminster Bank PLC
1 Cavendish Square, London, W1A 4NU

Investment managers

Sarasin & Partners LLP
100 St Paul's Churchyard, London, EC4M 8BU

Solicitors

BDB Pitmans LLP (to March 2020)
50 Broadway, London, SW1H 0BL

Bevan Brittan LLP (from April 2020)
2 Fleet Place, London, EC4M 7RF

DAC Beachcroft
100 Fetter Lane, London, EC2A 3LH

Macfarlanes LLP
20 Cursitor Street, London, EC4A 1LT

Patron, President and Board of Trustees

Patron

Her Majesty the Queen

President

His Royal Highness The Duke of Kent KG
GCMG GCVO ADC(P)

Honorary Vice-President

Field Marshal The Rt Hon Lord Inge KG GCB DL

Life Governor

Dr V. Moshe Kantor PhD

The Trustees, who served during the year, and since the year end, are as follows:

Sir Richard Sykes FRS FMedSci HonFREng
(Chairman)

The Rt. Hon. Professor Lord Ajay Kakkar BSc
PhD FRCS

Professor Roger Kirby MA MD FRCS (Urol)

Sir Stuart Lipton

The Hon Mrs Virginia Lovell JP, DL

Mrs Alison Parkhouse (nee Dean)

Lieutenant General Sir William Rollo KCB CBE (to June 2019)

Sir Michael Stevens KCVO FCA (to October 2019)

Mr Simon Weil

Paul Biddle FCA (from Sept 2019)

Fiona Driscoll MA (from Sept 2019)

Professor Dame Lesley Regan DBE (from November 2019)

Advisory Board

Sir Richard Sykes FRS FMedSci HonFREng (chairman)

Dr Martin Bricknell CB OSTJ (from Oct 2019)

Mr Andrew Graham

Brigadier Colin Harrisson CV OBE (to Oct 2019)

Sir Barry Jackson FRCS FRCP FRCSGlas (to Oct 2019)

Sir Marcus Setchell CVO FRCS FRCOG Marshall of the Royal Air Force (to Oct 2019)

The Lord Stirrup KG GCB AFC FRAeS FCMI

General Peter Wall GCB CBE DL FREng Wall (to Oct 2019)

Board Committees

Audit, Risk & Assurance Committee

Sir Michael Stevens KCVO FCA (to Oct 2019, as chair)

Lieutenant General Sir William Rollo KCB CBE (to June 2019)

Fiona Driscoll (chair from Nov 2019)

Simon Weil (from Nov 2019)

Finance & Investment Committee

Sir Michael Stevens KCVO FCA (to Oct 2019, as chair)

Lieutenant General Sir William Rollo KCB CBE (to June 2019)

Paul Biddle (chair from Nov 2019)

Alison Parkhouse (from Nov 2019)

Quality & Safety Committee (from January 2020)

Professor Dame Lesley Regan (chair)

Professor Lord Ajay Kakkar

Property & Projects Committee

Sir Stuart Lipton

Professor Roger Kirby MA MD FRCS (Urol) (from Jan 2020)

Fundraising & Veterans' Committee (from January 2020)

Professor Roger Kirby MA MD FRCS (Urol) (chair)

The Hon Mrs Virginia Lovell JP, DL

Nominations Committee (from September 2019)

Sir Richard Sykes FRS FMedSci HonFREng

Sir Stuart Lipton

Professor Roger Kirby MA MD FRCS (Urol)

Executive team

Chief Executive

Lindsey Condron Andrews

Finance Director

Ian Deans (to May 2019)

Rod Morgan (from June 2019)

Medical Director

Professor Justin Vale

Director of Nursing

Tonya Kloppers

Director of Operations

Kate Farrow

Director of Governance

Dr Jenny Davidson

Commercial Director

Mike Lord

Director of Fundraising & Veterans' Health

Tim Brawn

Director of HR and L&D

Becky Hine (from June 2019)

VISION, MISSION, OBJECTIVES, and VALUES

The Hospital's vision is "to be the leading private hospital in the UK and to support an increased number of veterans through our charitable work".

In doing so, its Mission is "to consistently deliver the highest standards of personalised patient centred care, in a safe and kind environment, through our exceptional and empowered teams. We will do this whilst continuing to deliver our charitable works within the veteran community."

Objectives:

The objectives of the Hospital are:

- *To operate an acute Hospital;*
- *To provide the highest standards of patient care; and*
- *To provide treatment at preferential rates to Service patients, serving or retired, and their spouses.*

The Hospital's achievements against these objectives are as follows:

- Total income for the year increased by 19% on the previous year, with a 12% increase in income related to income generated from patient charges. Patient activity increased by 8% over the same period.
- Expansion, at the Hospital, of the London Urology Specialists who are now the leading independent unit for the treatment of Urological issues. This has resulted in patients having access to leading Consultants, advanced technology and most importantly a multi-disciplinary team in charge of their care. This has

resulted in our patients having some of the best Urological outcomes nationally, of which we are hugely proud. The addition of a robot for urological surgery has ensured we are at the cutting edge of new technology for urological procedures. The urology service will offer world renown prostate diagnostics and treatments such as High Intensity Focused Ultrasound (HIFU) and the use of the Nano Knife for focal therapy and prostate cancer treatment.

- With admissions averaging 500 patients each month, our average length of stay is two days, with a continuing trend to enabling patients to return home as soon as possible.
- The development of the role of Clinical Nurse Specialist (CNS) and Advanced Nurse Practitioner at the Hospital has allowed us to broaden out admissions to more complex breast, gynaecological, urological and orthopaedic cases. The CNS team has instigated follow up calls with patients within 48 hours of their discharge home, allowing them to check on patient progress and offer support, as well as learning from the patient experience. The CNS team have also developed, and delivered specialist study days with talks and demonstrations by our highly respected Consultant body.
- A paediatric Specialist Nurse has provided training for our teams allowing out in-house GPs to run family clinics at the Hospital.

- A networking dinner was hosted by the Director Nursing for the London Private Hospital Directors of Nursing and Matrons to facilitate collaboration and support on patient experience and safety. This was a great success and the second event was hosted by The London Clinic, and plans are in place for quarterly events.
- Use of a digital pre-operative assessment tool has been commenced in June allowing patients to complete their health questionnaire on-line, and to view information videos specific to their surgery. This allows us to be well prepared for the patient admission, and arrange any additional diagnostic tests.
- The Hospital has increased patient participation and engagement by developing a Patient Focus Group which meets quarterly, this group is highly engaged and provides feedback on a number of indicatives, Quality Improvement projects and information brochures. Patients have also been represented at a number of committees.
- The Hospital has been very supportive of nurse led clinics and two have been started this year. One is a TWOC (Trial without Catheter Clinic) lead by our Gynaecology CNS and the other is a Prostate Cancer Clinic lead by our Prostate Lead nurse. The clinics reduce hospital admission and are highly regarded by the patients.
- A learning disability (LD) link nurse was identified to ensure services for people with learning disabilities and hidden disabilities were accessible and met the specific needs of this diverse patient group. Online LD training was completed by nearly all staff, with face-to-face training led by people with learning difficulties also provided for 12 champions. Such face-to-face training is exceptional as it draws on the lived experience of patients. We have made changes in policy, forms, information booklets, pre-operative orientation visits and appointment availability based on this training.
- There are a number of ways of measuring the standards of patient care including both patient experience and patient outcome. An external company provides a patient survey which measures patient experience; the Hospital has met targets for both the 'Friends and Family Test' and Overall Care, as well as receiving numerous plaudits as to the wonderful care received whilst at the Hospital.
- The Hospital utilises Doctify – an online assessment – which consistently reports excellent feedback for out consultants and staff and star rating of 4.9 out of a possible 5.
- The 'PLACE' – patient environment – assessment undertaken in October 2019, scored above the national average in all areas; we were particularly pleased to score 100% for food and catering.
- Patient outcomes are benchmarked against national standards through the Private Healthcare Information Network, and the Hospital further invested in Copeland's Risk Adjusted Barometer to analyse our patient outcomes against national and international data. The risk adjusted surgical scores for the Hospital show good outcomes with low incidence of complications and mortality.
- National recognition of our continued support to Veterans' Health at the Laing

Buisson awards in 2019. The Hospital won the award for 'Innovation in care' for the outstanding work and contribution made to Veterans' Health through the truly unique pain management programme developed alongside experts in pain management, surgery and psychological care.

- We ran six Pain Management Programmes and treated 50 veterans on these Programmes. The Programmes have been incredibly well received with outstanding clinical outcomes and numerous testimonials from veterans.
- We gave 32 grants to the value of £93,000 to veterans to receive treatment at the Hospital.
- The Scandinavian Journal of Pain published a Paper from our clinical team outlining the work and results of the Pain Management Programmes. Our research team had papers published in other leading journals, including an important paper on the comorbidities of Chronic Pain and Post Traumatic Stress Disorder published in the British Journal of Pain.
- Our work with veterans was the focus of the Annual Lord Mayors Big Curry lunch held in the Guildhall. Funding for 18 veterans a year to be part of the Pain Management Programme (PMP) was pledged for three years.

Values:

The Hospital has recently reviewed and revised its values. These are currently being embedded within the Hospital:

Professionalism – we encourage our teams to be the best they can and meet the highest standards through:

- Acting with integrity
- Accountability
- Continued learning.

Quality – we will provide excellence in everything we do through:

- Innovation
- Listening to, and acting on, feedback
- Measuring outcomes and informing actions.

Respect – we will respect other people's views to ensure an open, inclusive working environment through:

- Compassion
- Dignity
- Honesty.

Safety – we are committed to providing a safe environment for our patients and colleagues through:

- A learning culture
- Freedom to speak up
- Transparency.

Teamwork – We work as a team so we will achieve more together by being:

- Collaborative
- Fair
- Open.

HOSPITAL ACTIVITIES, CLINICAL GOVERNANCE and FUNDRAISING

The Hospital is committed to providing an excellent patient experience. Good clinical standards, reflected in the CQC rating of 'good', are aligned with good clinical governance and clinical audit arrangements. Our fundraising enables us to provide grants and our Pain Management Programme to Veterans.

Hospital activities

King Edward VII's Hospital offers patients a wide range of treatments across both medical and surgical specialities along with critical care facilities.

The Hospital has three operating theatres, an endoscopy unit and 45 inpatients rooms all with en-suite bathrooms. It also has a critical care facility which enables the Hospital to carry out highly complex procedures and treat patients with complex needs. The Hospital provides a wide range of elective and non-elective services for inpatient and day case care supported by a range of activities, including:

- Acute services
- Diagnostic and screening services
- Doctors consultation services
- Long-term condition services
- Rehabilitation services
- Veterans' Pain Management Centre.

The Hospital continued to see substantial growth over the course of 2019/20 which enabled us to invest in further health technology. This included that in support of the London Urology Specialists outlined earlier - a surgical robot for urological procedures and treatments such as High Intensity Focused Ultrasound (HIFU) and the

use of the Nano Knife for focal therapy and prostate cancer treatment. The Hospital starts the new year with ambitions to create similar teams in Women's Health, both in Breast and Gynaecological care, as well as in Musculoskeletal and Digestive surgery.

Operational improvements

With a focus on cost improvement, 2019/20 saw the organisation focus on greater control over processes and procedures both operational and financially. By embracing clear methodology in a number of areas, namely cost improvement and quality and efficiency programmes, significant improvements have been made across the Hospital particularly in theatres and out-patients. Consultant feedback and behaviour over the last 12 months has provided evidence that the changes being made have had a noticeable impact. More complex work is taking place in theatres, staff are better trained and our financial processes are more streamlined. This transformational work will continue into 2020/21, so that the organisation is in the best possible position to take advantage of the expansion of outpatient and diagnostic capacity and the increase in surgical capacity. The second phase of this improvement journey is 'deep diving' into the variation of clinical practices across the hospital, understanding how we

can implement standardisation where possible, working with key partnerships to deliver seamless end to end pathways for our patients, and develop surgical specialties within the organisation, will drive increased revenue, innovation and strategic focus.

Developing and recognising our people

The Hospital has a commitment to building a professional workforce, continuously seeking to improve, and ultimately it is a commitment to provide patients with the best care.

We are developing lifelong high quality Nursing Education. Providing good nursing education is a catalyst for innovation, and understanding best practice care delivery. The hospital is now a recognised centre by the Resuscitation Council and provides both basic and advanced life support training on site. Additional training, including Human factors, Clinical Supervision were launched in house and well received by staff. Corporate subscription to Nursing Standard magazine was initiated and ensures that the nursing team are up-to-date with the latest evidence based research. Simulation training was commenced in house for emergency situations, including the 'deteriorating patient' and 'major haemorrhage'. This allows clinical teams to develop skills within the local environment; this is shown to improve both response time and patient outcome.

Strong nursing leadership has been achieved by a revising the nursing structure to provide senior nursing and ward leadership roles that are accountable, data savvy and patient-centred, with the skill set to collaborate internally and externally to drive quality, efficiency and activity. Regular away days for the nursing teams with inspiring external

speakers has fostered this development and resulted in excellent Quality Improvement such as leadership rounding and safety huddles.

Nursing appreciation awards, named Patient Choice, were established in May 2019. These awards are granted to nurses that are frequently commended in our patient satisfaction surveys. We have presented ten awards, a clear recognition of the care and compassion for which KEVII nurses are well known.

The Clinical Outpatient Manager gained a scholarship through the prestigious Florence Nightingale Foundation, a wonderful opportunity, supported by the hospital. The focus of this scholarship is nursing leadership.

The appointment of an Education and Learning Manager in April 2019 has enhanced instructor lead training for both clinical and non-clinical development as well as ensuring a robust training calendar to enable all staff to develop. With the support of the Apprenticeship Levy, we have appointed of two apprenticeships, one in Information Technology (now in a permanent post) and one in Human Resources (currently undertaking the course).

The Hospital has introduced a new appraisal system for managers and non-managers based on clearly defined competencies. Maternity pay provision increased to provide enhanced payments for the first 12 weeks of maternity leave (for eligible employees).

Clinical governance and performance

The Hospital has a robust modern clinical governance framework that provides

oversight and assurance on the safety and effectiveness of care and services provided. A 'ward to board' approach supports a culture of openness and transparency throughout the organisation. The Hospital has an established incident reporting and learning process, complaints management in line with national standards and a comprehensive clinical audit programme.

The Hospital has established positive relationships with its regulators and has embedded the core principles laid out by them in how we work. It has strong patient engagement and involvement throughout the organisation and were one of the first private sector hospitals to have a 'Freedom to Speak out Guardian' as a commitment to openness, learning and listening to staff.

In 2019, the Hospital engaged with a clinical analytics company Copeland Clinical Ai (C2-Ai), which provides risk adjusted, benchmarked reports for patient outcomes. This not only assures the Hospital of its excellent morbidity and mortality outcomes, but allows for identification of areas for further investigation, essential for a learning organisation with continual improvement at its core.

Fundraising

It is because King Edward VII's Hospital is a charity that makes us different. The Hospital was founded in a time of need when veterans could not get the medical treatment they needed - that continues today. 120 years on, we still help veterans of the armed forces through life-changing grants, discounts and the ground breaking Pain Management Programme that is helping hundreds of veterans with clinically proven help.

The Hospital's activities support the Charity's aim. The Hospital's operating surplus, together with its reserves, ensure that its charitable purpose can be delivered in the medium term. King Edward VII's Hospital continues to prides itself on its charitable background and aims to support Veterans' Health.

Through the donations of supporters, we are able to offer means tested grants to veterans who could not otherwise afford their care or may need treatment more rapidly than they could receive elsewhere. This is making a big difference to those who have served our nation as well as to their spouses and partners.

How our campaigns are run

The Hospital appeals to our supporters for help as well as applying to trusts and Foundations. There is a team of three in the Fundraising department with a part-time events organiser. We run mainly small events along with one or two larger events each year. The fundraising is focused on our work with veterans and also the capital equipment needs of the Hospital. The Hospital does not, other than offering tickets to events, ask the general public to donate to the Hospital; however, some do.

We are the grateful beneficiary of the Annual Lord Mayor's Big Curry Lunch, which, through ABF The Soldiers Charity, funds two Pain Management Programmes for veterans each year. We receive donations from a number of other Trusts and Foundations as well as from generous individuals. Of particular note is the commitment from the Thompson family of a donation of £12m to enable comprehensive

refurbishment and upgrade of our patient bedrooms.

The Fundraising and Veterans Health departments hosted a number of supporter and engagement events. These included a reception at the House of Lords hosted by Lord Astor, and a private dinner at Woburn Abbey for major benefactors, hosted by The Duke and Duchess of Bedford.

At a Supporter event at Fishmongers Hall, a veteran movingly spoke about her transformational treatment on the Hospital's Pain Management Programme. This veteran had been shot a number of times whilst on duty, and the grant she had received for medical treatment at the Hospital included facial reconstruction.

Michael and Phyllis Rapp formally opened the Hospital's main Reception area which has been completely refurbished thanks to their generous donation.

We are registered with the Fundraising Regulator and work in compliance with the Code of Fundraising Practice.

We do not employ others to carry on fundraising on our behalf. All our own staff are offered on-going training and can attend events and conferences to network with their peers and learn good practice.

A Complaints Log is maintained by the fundraising team. During the past year we have received no complaints.

Relationship with the NHS (COVID-19)

King Edward VII's Hospital responded to the call from the NHS within 48 hours, turning over all resources in the fight against COVID-

19 and admitting its first NHS patients on 23 March 2020, as the UK went into lockdown. From the outset, the Hospital was committed to serving the NHS at pace, in any way it could. In the first three weeks, we treated more than 200 NHS patients with time critical cancers/ surgery. Patients requiring time critical cancer and benign surgery were able to access the treatment they needed as the Hospital supported several London NHS trusts. The Hospital also provided vital equipment to the NHS, including ventilators, to help treat seriously ill COVID-19 patients, and many staff from across the organisation volunteered to work at the Nightingale Hospital.

A particularly strong and successful partnership was forged between King Edward VII's Hospital and Imperial College NHS Trust. By committing all available resources with great speed and efficiency, the Hospital's support meant that nearly 750 NHS patients were able to receive life-saving or life-changing surgery during the early months of COVID-19's impact. Patient and clinician feedback has been extremely positive. We feel extremely proud to have been able to step in and support our NHS colleagues and patients.

Nick Fox, Commercial Director of Imperial College NHS Trust said:

"King Edward VII's Hospital has a long history of working with Imperial College Healthcare NHS Trust and its medical staff and could therefore stand up and help out very quickly, which was essential in the early days of the pandemic. From both a patient and a Trust perspective, working with King Edward VII's has been a huge success for all concerned."

HOSPITAL STRATEGY

The Hospital strives to continually improve both services to our patients and facilities for our consultant body and provide free or subsidised medical treatment for Veterans.

The Hospital and its charitable works are built on 120 years of heritage. The future of King Edward VII's Hospital will continue to connect to its past, but with a clear strategic focus on what we wish to achieve. Outstanding patient care is the focus of all our objectives and we will work to ensure that it continues to be the hospital of preference for patients and consultants. We continue to be renowned for outstanding patient-centred care delivering the best outcomes for our patients.

This year saw the appointment of clinical directors in each of our strategic pillars. The clinical directors are specialists within their fields and support the strategic aims and business objectives of the hospital, but more importantly provide clinical leadership which is hugely important to an organisation that has ambitions of driving innovation and quality at every level.

Our four clinical areas of focus remained the same in 2019/20 which included:

Musculoskeletal

Women's Health

Men's Health

Later Life Care

Structuring our clinical services into four clearly defined patient-centred services has translated into easy communication across the hospital about what our focus is and will

continue to be. It has provided both established and new consultants with the assurance that the Hospital has a clear focus and will support them to reach their own aspirations. This clear focus has seen us embed quality multi-disciplinary teams (MDTs) across multiple specialties, increase revenue, and deliver outstanding focused patient care.

We continue to build a model of collaborative working across all our clinical specialties, driving innovation and ensuring that our outcomes are measured and evidenced.

We have seen significant patient revenue growth in year, by £3.2m and 370 cases, and this has been driven through outpatient, imaging and inpatient activities with a particular focus on Urology and Women's Health. Work will continue in these areas as well as Musculoskeletal and Digestive surgery, including further robotic programmes.

Our clear and concise strategy has contributed to many consultants seeking an opportunity to work at the Hospital. This has added further need for additional capacity and the development of the Hospital's Estates Masterplan. As the Hospital is enabled to deliver this Masterplan, it will significantly transform and expand services, upgrading key patient and outpatient technologies and renewing the physical fabric of the various hospital buildings. At the core of this initiative is the provision of additional surgical

capacity and a significant expansion in the number of consultation and examination rooms, both in existing and new environments.

This work will align with the upgrade of mechanical and electrical systems for the entire Hospital to support the full range of diagnostic and treatment technologies. The magnitude of the masterplan will serve to transform the entire campus physically and streamline clinical operations overall.

Relationships with external organisations have been built throughout the year and it is envisaged that formal partnership agreements will now be agreed by the end of 2020 due to delays brought about by COVID.

We continue to work closely with private medical insurers, but are also focusing on further enhancing our attraction to self-pay patients and international patients.

Public benefit

When setting the objectives and planning the work of the Charity for the year, the Board has given careful consideration to the Charity Commission's general guidance on public benefit.

King Edward VII's Hospital is committed to ensuring that as many members of the Armed

Forces as possible are able to access our healthcare at little or no cost to themselves. In line with this, the Hospital has been working particularly hard to increase accessibility and raise awareness of our subsidy and grants programmes.

Our subsidies and grants are open to all uninsured Service personnel, their spouses, ex-spouses, widows and widowers. They are given regardless of rank or length of service. The extension of our subsidy scheme to cover outpatients as well as inpatients has continued to be a success as we promote the subsidy in our Consulting, Imaging and Physiotherapy departments. Over the last year we have continued to give grants, from both our Sister Agnes Benevolent Fund and from the Linked Charity, The Charity of Alexander Michael Levy. Grants are means tested and therefore specifically for those of more limited means. A number of our key consultants remain committed to reducing or waiving their fees for grant beneficiaries.

We constantly review the support that we offer against the need as defined by the Armed Forces.

STRUCTURE AND CORPORATE GOVERNANCE

The Board of Trustees has legal responsibility and accountability for the leadership and governance of the Hospital. The Board undertook a formal review of its governance arrangements and has revised and strengthened these in a number of areas.

Governing document

King Edward VII's Hospital (St Agnes) is a registered Charity (No 208944) founded in 1899 and constituted by Royal Charter to operate an acute Hospital where serving and retired officers of the Services and their spouses can be treated at preferential rates. The Hospital also treats members of the public regardless of any connection with the Services.

With the support of the Privy Council and of the Charity Commission, both the range of beneficiaries and the governance of the Hospital have been updated from time to time to meet changing circumstances. The most recent change was in 2017.

The Board of Trustees

The Board of Trustees has legal responsibility and accountability for the leadership and governance of the Hospital. Meetings of the Board of Trustees are attended by the Executive Team who provide information, data and assurance on their areas of responsibility in the organisation.

The Trustees are unpaid and upon election undergo a formal briefing and induction with the Chair of the Board, the Chief Executive and members of the Senior Management Team of the Hospital and take part in a detailed tour of the Hospital which gives each

Trustee the opportunity to meet and talk to the staff.

Trustees are recruited and elected to the Board in line with best practice considering the experience and skills required, the contribution they will bring, and in line with the Hospital's Equality and Diversity policy. Each Trustee has been provided with a copy of the booklet produced by the Charity Commission explaining the duties and responsibilities of a Trustee.

Responsibilities of the Board of Trustees

The law applicable to charities in England and Wales requires the Board of Trustees to arrange for the preparation of financial statements for each financial year which give a true and fair view. To this end, the Board: -

- Selects suitable accounting policies and then applies them consistently.
- Observes the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).
- Makes judgements and estimates that are reasonable and prudent.

- States whether United Kingdom Accounting Standards have been followed, subject to any material departures, which are disclosed and explained in the financial statements.
- Prepares the financial statements on a “going concern” basis unless it is inappropriate to presume that the Hospital will continue in operation.

The Board of Trustees has responsibility to ensure that the Hospital has appropriate systems and controls, medical, financial and otherwise. The Board of Trustees is also responsible for keeping accounting records, which disclose with reasonable accuracy at any time, the financial position of the Hospital and enable it to ensure that the financial statements comply with the Charities Act 2011, the relevant Charity (Accounts and Reports) Regulations and the provisions of the Royal Charter. The Board of Trustees is further responsible for safeguarding the assets of the Hospital, the evaluation and management of risks facing the Hospital, and for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurances that:

- The Charity is operating efficiently and effectively.
- All assets are safeguarded against unauthorised use or disposition.
- Proper records are maintained and reliable financial information is used within the Hospital.
- The Hospital complies with relevant laws and regulations.

Key risks

The overall responsibility for the identification, assessment and mitigation of major risks to which the Hospital is exposed lies with the Board of Trustees. This responsibility is discharged through the Chief Executive, the Senior Management Team and a Designated Risk Manager (Director of Governance), supported with advice from the Hospital’s Health and Safety Advisor, Health and Safety Committee, Microbiologist and other Hospital committees, and recommendations from inspection reports.

The Audit, Risk and Assurance Committee reviews the Risk Management Strategy annually and the Organisational Risk Register on a quarterly basis to satisfy itself that appropriate measures and systems are in place to minimise or eliminate those risks; this is reported to the Board of Trustees.

The following three principal risks and uncertainties have been identified by the Board of Trustees; comprehensive action plans are in place to mitigate these risks:

- Redevelopment / projects: whereby further delays to projects lead to delay of capacity and expansion opportunities;
- Finance – hospital scale: whereby the scale of the Hospital mitigates against being able to generate sufficient operating surplus to be sustainable;
- Impact of COVID-19: whereby the pandemic directly impacts on the Hospital’s ability to continue to operate.

The key controls in place within the Hospital include:

- Comprehensive clinical governance arrangements, including formal written policies and procedures
- Robust corporate governance arrangements including formal terms of reference, agendas and papers for all Committee and Board activity
- Clear organisational structure and lines of management and risk reporting
- Use of external professional advice where appropriate.

Board Committee structure

The Advisory Board's role is to provide support, advice and guidance to the Board of Trustees and Executive Team in terms of the development, effectiveness and success of the charitable and independent healthcare provider element of the organisation. To support this, the Advisory Board has been more closely aligned to the Fundraising and Veterans' Health Committee. This Committee meets quarterly to agree the Hospital's fundraising objectives and to review progress against these. It also sets the policy for grants awarded to Veterans and their families for hospital care and treatment, and oversees the services provided by our Centre for Veterans Health. In addition to fundraising and charity responsibilities, the Advisory Board is responsible for making any changes required to the composition and membership of the Board of Trustees at the Hospital.

The following are Committees of the Board, and as such have specific delegated authorities from the Board of Trustees, as detailed in the Schedule of Reserved and Delegated Powers:

The Audit, Risk and Assurance Committee advises the Board of Trustees on the

appointment of the Auditor. It has delegated responsibility from the Board of Trustees to monitor risk analysis, risk management, and corporate governance within the Hospital and all internal related systems and controls. This Committee is also responsible for taking reasonable steps to ensure that the Charity is complying with all aspects of the law, relevant regulations and good practice. The composition of this Committee is determined by the Board of Trustees. This Committee meets quarterly.

The Finance and Investment Committee undertakes, on behalf of the Board of Trustees, through review of financial policy, performance issues and risks, alongside review of budgets and business plans. It also has delegated responsibility to provide strategic direction and responsible oversight of the Hospital investment portfolio and reserves.

The Quality and Safety Committee obtains assurance that high quality care is being delivered across the Hospital, and ensures that robust clinical governance arrangements are in place. It acts in a positive and open manner, and acts as a source of support and advice.

The Property and Projects Committee has delegated responsibility for the oversight and management of the key infrastructure development projects at the Hospital. The Committee meets on a monthly basis and is made up of a Trustee and managers of the Hospital.

The Executive Committee meets monthly and its members are the Senior Management Team. Having engaged with the Board in agreeing the strategic direction of the

Hospital, its responsibilities are to review performance against, and take action to achieve, the Hospital's Business Plan and objectives and assess whether structures and systems in place are working effectively and efficiently. The Executive Committee also develops and implements a continuous

improvement approach to its Hospital management. It gathers assurance from across the Hospital through a number of governance processes to ensure appropriate oversight of the risks, appointments, and developments of the Hospital.

FINANCIAL PERFORMANCE

The outcome for the year is set out fully in the Statement of Financial Activities (page 25).

Total income for the year totalled £34.7m (2018/19: £29.1m) of which £28.9m (2018/19: £25.7m) related to income generated from patient charges. This reflected strong revenue growth, and increasing margin, during the second half of the year, as both business developments and planned efficiencies took hold. However, widespread cancellations as COVID-19 took hold in Month 12 greatly diminished the prospective year-end revenue, as private activity fell away sharply and the additional activity from the NHS contract was slow to pick up.

The Hospital continues to benefit from generous donations. In 2019/20, a further £3m of the overall donation from The Kantor Charitable Foundation was received, and progress on the building continues (albeit delayed due to the impact of COVID-19 and other matters). The Kantor Medical Centre is due to open in 2020.

Expenditure for the year amounted to £33.2m (2018/19: £30.5m) to give net expenditure before investment gains of £1.5m (2018/19: loss of £1.4m).

The financial statements include the impact on the assets and liabilities in respect to the Hospital's exposure to its defined benefit pension scheme. The pension scheme liability as at 31 March 2020 determined under FRS 102 was £0.7m (2018/19: £1.7m), the fall mainly being due to changes in actuarial

assumptions. The next full valuation of the scheme is due in October 2020.

The total managed investment portfolio reported in the balance sheet fell to £20.8m (2018/19: £25.9m) following redemptions and cash at bank and in hand rose to £11m (2018/19 £7.1m).

A programme of work has been identified to improve internal controls overall and to deliver improved cost efficiency and better and more robust internal reporting of performance. This programme will be delivered during 2020/21. Current processes are in place to ensure that performance is monitored and that appropriate management information is prepared and reviewed regularly by the Board of Trustees and Committees, and these will be developed further and improved as part of the programme.

Reserves policy

The Trustees continues to ensure that there are sufficient free reserves to provide some assurance against interruption to its charitable activities. Such reserve has been set at a minimum level of £5 million, which will ensure that it is in a position to:

- identify new sources of income and/or reduce operating expenses in the event of an unexpected downturn in patient revenues;
- manage a challenging transitional period over the next three to five years, during which time it will be expanding its operations onto the site of Macintosh House (The Kantor Medical Centre);
- provide adequate resources to fund exceptional expenditure in relation to the existing main Hospital building; and fund essential new medical equipment and technology in circumstances where there may be insufficient funds generated in the year.

The Hospital's free reserves, i.e. the General Fund at 31 March 2020, were £7.9m (2019 £4.9m). The increase in unrestricted funds in 2019/20 is largely due to the transfer of funds from the Linked Charity (see note 18).

Investment policy

The Hospital's investment portfolio is operated within guidelines, which are regularly reviewed with the Investment Manager at the Finance & Investment Committee. The Investment Manager's performance at -1.6% (2019 +6.5%) was ahead of the benchmark performance by +3.5% (2019 -0.7%) in the year ended 31 March 2020. As at 31 March 2020, the

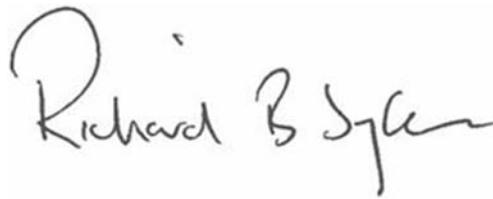
Hospital's investment portfolio had a market value of £20.8m (2019 £25.9m).

The Covid-19 crisis triggered a significant fall in global equity markets during the first quarter of 2020, which was a key driver of the negative return. However, the portfolio was sheltered from some of the worst performing sectors, such as energy. The Investment Manager identified investment opportunities amidst the crisis and added to companies where it had high conviction, which has supported the long-term portfolio's strong performance since 31st March, rising 17.1% and ahead of the benchmark performance by +2.5% (as of 31 August 2020).

Report of the Board of Trustees Year to 31 March 2020

The Board of Trustees approved the re-appointment of the Hospital's Auditor, Buzzacott LLP in July 2020.

We are most grateful for the support of our Patron, Her Majesty The Queen, our President The Duke of Kent, the 'Friends' of the Hospital, individual donors and many loyal Trusts and Foundations.

A handwritten signature in black ink that reads "Richard B Sykes". The signature is written in a cursive style with a large initial 'R'.

Trustee and Chair of the Board

21 October 2020

Independent auditor's report to the Board of Trustees of King Edward VII's Hospital

Opinion

We have audited the financial statements of King Edward VII's Hospital (the 'Hospital') for the year ended 31 March 2020, which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the Hospital's affairs as at 31 March 2020 and of 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 Charities Act 2011.

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 Hospital 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 Board of Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ◆ the Board of Trustees has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Hospital'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 Board of Trustees is responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us to report to you if, in our opinion:

- ◆ the information given in the report of the Board of Trustees is inconsistent in any material respect with the financial statements; or
- ◆ sufficient accounting records have not been kept; or
- ◆ the financial statements are not in agreement with the accounting records and returns; or
- ◆ we have not received all the information and explanations we require for our audit.

Responsibilities of the Board of Trustees

As explained more fully in the responsibilities of the Board of Trustees' statement, the Board of Trustees is 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.

Auditor's responsibilities for the audit of the financial statements

In preparing the financial statements, the Board of Trustees is responsible for assessing the Hospital'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 Board of Trustees either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

Use of our report

This report is made solely to the Hospital's Board of Trustees, as a body, in accordance with section 144 of the Charities Act 2011 and with regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the Hospital's Board of Trustees 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 Hospital and the Board of Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 29 October 2020

Buzzacott LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Statement of financial activities Year ended 31 March 2020

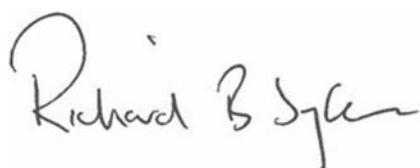
	Notes	Unrestricted funds £'000	Restricted funds £'000	Total 2020 £'000	Unrestricted funds £'000	Restricted funds £'000	Total 2019 £'000
Income from:							
Donations and legacies	1	1,327	3,162	4,489	1,573	560	2,133
Other trading activities	2	—	—	—	—	37	37
Investment income and interest receivable	3	540	50	590	384	215	599
Charitable activities							
· Patient charges	4	28,908	—	28,908	25,717	—	25,717
· Other income	4	724	—	724	642	—	642
Total income		31,498	3,212	34,711	28,316	812	29,128
Expenditure on:							
Raising funds	5	(479)	(10)	(489)	(562)	(57)	(619)
Charitable activities							
· Provision of patient services	6	(31,731)	(862)	(32,593)	(28,917)	(929)	(29,846)
· Grants	8	—	(126)	(126)	—	(41)	(41)
Total expenditure		(32,210)	(998)	(33,208)	(29,479)	(1,027)	(30,506)
Net (expenditure) income before gains and losses on investments		(711)	2,214	1,503	(1,163)	(215)	(1,378)
Net investment (losses) gains on listed investments	12	(487)	(165)	(652)	298	255	553
Net (expenditure) income		(1,198)	2,049	851	(865)	40	(825)
Other recognised gains and losses							
Actuarial gains (losses) on defined benefit pension scheme	15	844	—	844	(48)	—	(48)
Transfers between funds	18	4,944	(4,944)	—	2,310	(2,310)	—
Net movements in funds for the year		4,590	(2,985)	1,695	1,397	(2,270)	(873)
Reconciliation of funds:							
Balances at 1 April 2019		33,614	21,106	54,720	32,217	23,376	55,593
Balances at 31 March 2020		38,204	18,211	56,415	33,614	21,106	54,720

All the Hospital's activities were derived from continuing operations during the above two financial periods.

Balance sheet 31 March 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Tangible assets	11		19,244		17,532
Investments	12		20,847		25,905
			40,091		43,436
Current assets					
Stock		1,222		1,005	
Debtors	13	7,109		7,439	
Cash at bank and in hand		11,012		7,089	
		19,343		15,533	
Creditors: amounts falling due within one year	14	(2,322)		(2,547)	
Net current assets			17,021		12,986
Total net assets excluding pension liability			57,112		56,423
Pension liability	15		(697)		(1,703)
Total net assets including pension liability			56,415		54,720
The funds of the charity:					
Unrestricted funds					
. Designated fund	16	12,848		14,569	
. Fixed assets fund	17	18,124		15,889	
. General funds (free reserves)		7,929		4,859	
. Pension reserve	15	(697)		(1,703)	
			38,204		33,614
Restricted funds					
. 120 th Anniversary Appeal	18	11,475		12,221	
. Kantor Medical Centre		4,391		1,960	
. Other restricted funds		2,345		6,925	
			18,211		21,106
Total funds			56,415		54,720

Approved by the Board of Trustees on 11 October 2020 and signed on its behalf by:



Chairman of the Board



Chief Executive

Statement of cash flows Year to 31 March 2020

	Notes	2020 £'000	2019 £'000
Net cash provided by operating activities	A	2,556	1,423
Net cash provided by (used in) investing activities	B	1,930	(11,282)
Increase (decrease) in cash and cash equivalents		4,486	(9,858)
Cash and cash equivalents at 1 April 2019	C	7,119	16,977
Cash and cash equivalents at 31 March 2020	C	11,605	7,119

Notes to the statement of cash flows for the year ended 31 March 2020

A Reconciliation of net income (expenditure) to net cash provided by operating activities

	2020 £'000	2019 £'000
Net income (expenditure) per statement of financial activities	851	(825)
Adjustments:		
Investment losses (gains)	652	(553)
Defined benefit pension scheme adjustment	(161)	(166)
Depreciation charge	1,916	1,971
Net surplus on disposal of tangible fixed assets	—	281
Investment income receivable	(590)	(599)
Increase in stocks	(217)	(451)
Decrease in debtors	330	2,321
(Decrease) in creditors	(225)	(556)
Net cash provided by operating activities	2,556	1,423

B Net cash provided by (used in) investing activities

	2020 £'000	2019 £'000
Payments to acquire tangible fixed assets	(3,629)	(2,839)
Receipts from disposals of tangible fixed assets	—	(281)
Receipts from disposals of investments	11,998	78
Payments to acquire investments	(7,029)	(8,839)
Investment income received	590	599
	1,930	(11,282)

C Analysis of cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	11,012	7,089
Cash held by investment managers	593	30
Total	11,605	7,119

Principal accounting policies 31 March 2020

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 March 2020.

The financial statements have been prepared under the historical cost convention with items initially recognised at cost or transaction value unless otherwise stated in the relevant accounting policy notes.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (Charities SORP), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest thousand pounds.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Board of Trustees and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ Estimating the useful economic life of tangible fixed assets for the purposes of calculating the depreciation charge;
- ◆ Estimating the recoverability of debtors and determining any necessary provision for bad or doubtful debts;
- ◆ Estimating any provision needed against slow moving or obsolete stock;
- ◆ Estimating the value of income in respect to unbilled patients at the year-end date;
- ◆ Estimating accrued expenditure;
- ◆ Assessing the appropriateness of the underlying assumptions made by the actuary in the valuation of the defined benefit pension scheme;
- ◆ Estimating future income and expenditure flows for the purpose of assessing going concern (see below).

Assessment of going concern

The Board of Trustees has assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Board of Trustees has made this assessment in respect to a period of one year from the date of approval of these financial statements. With regard to the next accounting period, the year ending 31 March 2021, the most significant areas that affect the carrying value of the assets held by the charity are the level of investment return and the performance of the investment markets, the level of patient activity and any impact of general economic conditions.

The Trustees acknowledge and recognise the potential impact of the Covid-19 pandemic on the charity, its beneficiaries and on wider society. From the outset, the Hospital was committed to serving the NHS at pace, in any way it could, admitting its first NHS patients on 23 March 2020, as the UK went into lockdown. However, widespread cancellations as COVID-19 took hold in Month 12 greatly diminished the prospective year-end revenue, as private activity fell away sharply and the additional activity from the NHS contract was slow to pick up. The Trustees will continue to keep both income and expenditure under review in light of this. However, it is not anticipated at the current time that the overall financial position of the charity will be adversely affected or its financial solvency threatened.

The Board of Trustees has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The Board of Trustees is of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due.

Scope of the financial statements

The financial statements include the net assets and transactions of a Linked Charity, The Charity of Alexander Michael Levy (see note 18).

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises donations, legacies, investment income and interest receivable and income from patient services provided as part of the operation of an independent acute hospital.

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

Income recognition (continued)

In accordance with the Charities SORP FRS 102 volunteer time is not recognised.

Legacies are included in the statement of financial activities when the charity is entitled to the legacy, the executors have established that there are sufficient surplus assets in the estate to pay the legacy, and any conditions attached to the legacy are within the control of the charity.

Entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor to the charity that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, but the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material. In the event that the gift is in the form of an asset other than cash or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy and the title of the asset having been transferred to the charity.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Income generated from patient services in the operation of an independent acute hospital is recognised to the extent that it is probable that the economic benefits will flow to the charity and the revenue can be reliably measured. It is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis and inclusive of irrecoverable VAT. Expenditure comprises direct costs and indirect administrative costs. All expenses, including indirect costs, are allocated to the applicable expenditure headings of raising funds, the provision of patient services and grants payable as appropriate. Indirect or administrative costs represent indirect charitable expenditure. In order to carry out the primary purposes of the charity it is necessary to provide support in the form of personnel development, financial procedures, provision of office services and equipment and a suitable working environment.

Expenditure recognition (continued)

Governance costs comprise the costs involving the public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice.

Indirect costs and governance costs are allocated in the main to the cost of providing patient services with a small amount of administrative expenditure allocated to raising funds. Such allocation is made on a prorata basis.

Grants are made following a review of the details of each particular case and comprise single payments. Grants and donations are included in the statement of financial activities when approved for payment. Provision is made for grants and donations approved but unpaid at the period end.

All expenditure is stated inclusive of any irrecoverable VAT.

Tangible fixed assets

All assets costing more than £1,000 and having an estimated useful life of not less than two years are capitalised and depreciated.

Hospital properties and other tangible fixed assets are stated at cost less accumulated depreciation. Assets under construction are stated at cost and depreciated only once they become available for use.

Depreciation of equipment is calculated on a straight-line basis at rates between 15% and 25% per annum, estimated to write-off the cost of those assets over their estimated useful lives.

Depreciation is not provided on leasehold properties until the remaining period of the lease is less than eighty years. Thereafter depreciation is provided on a straight line basis designed to write off the cost of structures over the remaining period of the lease.

Expenditure on plant, fixtures and internal works within the buildings is depreciated at rates of between 4% and 10% per annum based on cost.

Investments

Listed investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price.

The charity does not acquire put options, derivatives or other complex financial instruments.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date.

Investments (continued)

Realised and unrealised investment gains (or losses) are credited (or debited) in the statement of financial activities in the year in which they arise.

Stocks

Stocks comprising pharmaceutical supplies and hospital consumables are stated at the lower of cost and net realisable value.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid.

Cash at bank and in hand

Cash at bank and in hand represents such financial statements and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt.

Pensions

The Hospital operates a defined benefit pension scheme for eligible employees, which was closed to new entrants in October 2000. The assets of the scheme are held and managed separately from those of the Hospital. Pension scheme assets are measured at fair value at each balance sheet date under FRS 102. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet. Any change in the asset or liability between balance sheet dates is reflected in the statement of financial activities.

Fund structure

The unrestricted general funds comprise the monies which may be used towards meeting the charitable objectives of the charity, for use at the discretion of the Board of Trustees.

The pension reserve represents the FRS 102 pension liability on the Hospital's defined benefit pension scheme as calculated by the scheme's actuaries as at the balance sheet date.

The fixed assets fund represents the net book value of the Hospital's tangible fixed assets excluding those assets financed by restricted funds.

Fund structure (continued)

The designated funds are monies set aside out of general funds and designated for specific purposes by the Trustees.

The restricted funds are monies raised for, and their use restricted to, a specific purpose, or donations subject to donor imposed conditions.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight-line basis over the term of the lease.

Notes to the financial statements 31 March 2020

1 Donations and legacies

	Unrestricted funds £'000	Restricted funds £'000	Total 2020 £'000
Legacies	827	—	827
Other donations			
. Individuals	370	—	370
. Grant giving organisations	130	162	292
. Kantor Charitable Foundation	—	3,000	3,000
2020 Total funds	1,327	3,162	4,489

	Unrestricted funds £'000	Restricted funds £'000	Total 2019 £'000
Legacies	1,123	—	1,123
Other donations			
. Individuals	356	22	378
. Grant giving organisations	94	538	632
2019 Total funds	1,573	560	2,133

2 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2020 £'000
Raffle	—	—	—
Fundraising events	—	—	—
2020 Total funds	—	—	—

	Unrestricted funds £'000	Restricted funds £'000	Total 2019 £'000
Raffle	—	—	—
Fundraising events	—	37	37
2019 Total funds	—	37	37

3 Investment income and interest receivable

	Unrestricted funds £'000	Restricted funds £'000	Total 2020 £'000
Income from listed investments:			
. Sarasin Alpha Common Investment Fund	480	50	530
Bank interest	60	—	60
2020 Total funds	540	50	590

Notes to the financial statements 31 March 2020

3 Investment income and interest receivable (continued)

	Unrestricted funds £'000	Restricted funds £'000	Total 2019 £'000
Income from listed investments:			
. Sarasin Alpha Common Investment Fund	336	215	551
Bank interest	48	—	48
2019 Total funds	384	215	599

4 Income from charitable activities

All income from charitable activities is unrestricted. Patient fees are stated net of the subsidies made to Service patients in line with the Hospital's charitable objective. This benefit to Service patients amounted to £35,881 for 71 patients (2019: £71,262 for 71 patients).

5 Raising funds

	Unrestricted funds £'000	Restricted funds £'000	Total 2020 £'000
Staff costs	328	—	328
Hospitality costs	2	4	6
Other direct costs	134	6	140
Investment management fee rebate	(33)	—	(33)
Total direct costs	431	10	441
Allocated indirect costs (note 6)	48	—	48
2020 Total funds	479	10	489

	Unrestricted funds £'000	Restricted funds £'000	Total 2019 £'000
Staff costs	236	49	285
Hospitality costs	2	6	8
Other direct costs	263	2	265
Investment management fee rebate	(44)	—	(44)
Total direct costs	457	57	514
Allocated indirect costs (note 6)	105	—	105
2019 Total funds	562	57	619

Notes to the financial statements 31 March 2020

6 Provision of patient services

Expenditure on the provision of patient services comprises expenses relating wholly or mainly to the delivery of medical and nursing care; it includes the costs of doctors, nurses and support staff, premises costs, supplies and bought services as follows:

	Unrestricted funds £'000	Restricted funds £'000	Total 2020 £'000
Surgical and pharmaceutical supplies	10,771	—	10,771
Provisions and domestic supplies	596	—	596
Staff costs	12,932	—	12,932
Agency staff	690	—	690
Repairs, renewals and maintenance	1,315	—	1,315
Accommodation and administration expenses	4,243	5	4,248
Pain management programme	—	334	334
Depreciation (note 11)	1,393	523	1,916
	31,941	862	32,803
Indirect costs allocated to raising funds (note 5)	(48)	—	(48)
Defined benefit pension scheme FRS 102 adjustment (note 15)	(162)	—	(162)
2020 Total funds	31,731	862	32,593

	Unrestricted funds £'000	Restricted funds £'000	Total 2019 £'000
Surgical and pharmaceutical supplies	8,978	—	8,978
Provisions and domestic supplies	580	—	580
Staff costs	11,687	—	11,687
Agency staff	1,113	46	1,159
Repairs, renewals and maintenance	1,297	—	1,297
Accommodation and administration expenses	3,803	—	3,803
Pain management programme	—	360	360
Depreciation (note 11)	1,448	523	1,971
Assets under construction adjustment	281	—	281
	29,187	929	30,116
Indirect costs allocated to raising funds (note 5)	(105)	—	(105)
Defined benefit pension scheme FRS 102 adjustment (note 15)	(165)	—	(165)
2019 Total funds	28,917	929	29,846

Restricted fund depreciation represents depreciation on assets financed by specific donations.

Included within administration expenses is auditor's remuneration of £26,700 (2019: £25,900) in respect to the audit of the statutory financial statements, and fees payable to the auditor for other services and the audit of the pension scheme of £11,650 (2019: £5,050).

Notes to the financial statements 31 March 2020

7 Staff costs

	2020 £'000	2019 £'000
Staff costs, excluding the costs of agency staff, comprise:		
Wages and salaries	11,472	10,368
Social security costs	1,194	1,101
Pension costs – defined benefit scheme (note 15)	244	246
Pension costs – group personal pension plans (note 15)	183	144
Pension costs – defined contribution pension plan (note 15)	167	113
	13,260	11,972
These costs are allocated as follows:		
Provision of patient services (note 6)	12,932	11,687
Expenditure on raising funds (note 5)	328	285
	13,260	11,972

Salary costs include restructuring costs of £67,000 in respect of 5 people (2019: £24,000, 2 people). The average number of full and part time permanent staff employed by the Hospital during the year was 314 (2019: 291), comprising 202 clinical staff (2019: 174), 63 service support staff (2019: 66) and 49 administrative support staff (2019: 51). The number of employees whose emoluments exceeded £60,000 including taxable benefits but excluding employer's pension and national insurance contributions was as follows:

	2019 number	2019 number
£60,001 - £70,000	6	10
£70,001 - £80,000	5	4
£80,001 - £90,000	6	3
£90,000 - £100,000	1	—
£100,001 - £110,000	1	—
£120,001 - £130,000	—	2
£150,001 - £160,000	1	—

No member of the Board of Trustees received remuneration for their services during the year.

Mr Simon Weil a member of the Board of Trustees, is a partner in Bircham Dyson Bell LLP, the charity's Solicitors. During the period, fees payable to Bircham Dyson Bell LLP, excluding VAT and disbursements, totalled £25,508 (2019: £55,800). No expenses were reimbursed to the Board of Trustees or the Advisory Board during either year.

The key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day to day basis comprise the Board of Trustees and the Executive Committee detailed on page 5 of this Annual Report and Financial Statements. The total remuneration (including taxable benefits and employer's pension and national insurance contributions) of the key management personnel for the year was £945,870 (2019: £826,531).

8 Grants payable

Grants payable of £126,000 (2019: £38,000) represent amounts paid to Service inpatients and Service outpatients during the period to assist with Hospital fees and derive from the Sister Agnes Benevolent Fund (note 18), a restricted fund of the charity.

The remaining grants of £nil (2019: £3,000) were administered by the Hospital and given for treatment from the Alexander Michael Levy Fund, a restricted fund of the charity (note 18).

9 Indemnity insurance

During the period the Hospital renewed insurance to protect it from loss arising from any wrongful or dishonest act of any member of the Board of Trustees, officer or employee and to indemnify any member of the Board of Trustees, officer or employee against the consequence of any wrongful act on their part. The total cover provided by such insurance was £5 million (2019: £5 million) and the total premium paid in respect of such insurance was £5,075 (2019: £4,200).

10 Taxation

King Edward VII's Hospital is a registered charity and therefore is not liable to income tax or corporation tax on income or gains derived from its charitable activities, as they fall within the various exemptions available to registered charities.

The Hospital is not able to reclaim all VAT suffered on expenditure due to the partial exemption rules. Irrecoverable VAT is included as part of the appropriate expenditure category.

The linked charity, The Charity of Alexander Michael Levy, is also not liable to income tax, corporation tax or capital gains tax on income or gains derived from its charitable activities.

Notes to the financial statements 31 March 2020

11 Tangible fixed assets

	Assets under construction £'000	Long leasehold buildings £'000	Equipment £'000	2019 Total £'000
Cost				
As at 1 April 2019	2,839	19,572	15,712	38,123
Additions during the year:				
Imaging and scanning	—	—	54	54
Estates	454	—	434	888
Theatre	731	—	189	920
IT	—	—	141	141
Housekeeping and catering	—	—	6	6
Pharmacy	—	—	2	2
Urology	1,317	—	—	1,317
Consulting Rooms	—	—	9	9
Other	203	—	89	292
Total additions	2,705	—	924	3,629
As at 31 March 2020	5,544	19,572	16,636	41,752
Accumulated depreciation				
As at 1 April 2019	—	11,381	9,211	20,592
Charge for the year	—	306	1,610	1,916
As at 31 March 2020	—	11,687	10,821	22,508
Net book values				
As at 31 March 2020	5,544	7,885	5,815	19,244
As at 31 March 2019	2,839	8,192	6,501	17,532

On 1 April 2020, assets under construction amounting to £2,187,000, relating to the Front of House and Urology projects, were brought into use.

At 31 March 2020, the Hospital had capital commitments of £3.5m (2019: £nil) relating to the Kantor Medical Centre, the Theatre and Imaging project and Theatres.

Notes to the financial statements 31 March 2020

12 Investments

	2020 £'000	2019 £'000
Market values		
At 1 April 2019	25,875	16,561
Additions at cost	7,029	15,761
Disposals (proceeds: £11,998,000, realised gains: £25,000)	(11,973)	(7,000)
Unrealised (losses) gains on revaluation	(677)	553
At 31 March 2020	<u>20,254</u>	<u>25,875</u>
Cash held by investment manager for reinvestment	593	30
Total investments at 31 March 2020	<u>20,847</u>	<u>25,905</u>
Cost of investments	<u>17,525</u>	<u>21,123</u>

Listed investments held at 31 March 2020 comprised the following:

	2020 £'000	2019 £'000
UK unit trusts and common investment funds	15,737	18,862
UK fixed interest stocks	4,517	7,013
	<u>20,254</u>	<u>25,875</u>

The UK unit trusts and common investment funds hold assets in the UK and overseas.

At 31 March 2020, the following individual holdings were deemed material in comparison with the market value of the listed portfolio held at that date:

	Market value £'000	Percentage of total portfolio %
Sarasin Endowments Fund Class A Inc	13,916	68.7%
Sarasin Income and Reserves Class A Acc	1,822	9.0%
Lloyds Bank CD 0.9500% 18/11/20 GBP	2,007	9.9%
ICS- Sterling Liquidity Fund – ACC	2,510	12.4%

The cost of an investment is defined as historical cost when the investment was purchased. If the investment was donated, its cost is defined as its valuation at the time of receipt.

Notes to the financial statements 31 March 2020

13 Debtors

	2020 £'000	2019 £'000
Patient charges receivable	5,429	4,468
Accrued income	1,182	2,002
Prepayments	444	940
Other debtors	54	29
	7,109	7,439

14 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Expense creditors	937	1,016
Accruals	630	625
Deferred income	410	674
Other creditors	345	232
	2,322	2,547

15 Pension commitments

Throughout both 2019 and 2020, King Edward VII's Hospital operated a defined benefit pension scheme, a Group Personal Pension Plan and an auto-enrolment pension scheme. Details of the schemes are as follows:

King Edward VII's Hospital Staff Pension and Life Assurance Plan

This is a defined benefit scheme, the assets of which are held separately from those of the Hospital by Clerical Medical Investment Group Limited. The pension cost relating to the scheme is assessed in accordance with the advice of a qualified actuary using the attained age method.

The scheme was closed to new members with effect from 1 October 2000.

The latest triennial actuarial valuation of this scheme carried out by Mr Martin McWhirter, a fellow of the Institute of Actuaries, was as at 1 October 2016. At the date of valuation, the scheme assets had a market value of £9.5m and the actuarial value of those assets represented 85% of the benefits that had accrued to members, after accounting for expected future increases in earnings.

The funding basis assumptions made by the actuary were agreed by the Board of Trustees and Pension Trustees. The assumptions having the most significant effect on the results of the valuation are that the investment return would be 2.8% per annum before retirement and that salaries will increase at 3.5% per annum compound.

The deficit following the triennial valuation was £1,682,000. A recovery plan was agreed by the Board of Trustees which required annual recovery contributions of £218,004 for eight years from 1 October 2017 to 30 September 2025. This equates to an additional £18,167 per month.

Notes to the financial statements 31 March 2020

15 Pension commitments (continued)

King Edward VII's Hospital Staff Pension and Life Assurance Plan (continued)

The normal contributions for the year to 31 March 2020 were £218,000 (2019: £218,000). The contributions made by the employer in the period to 31 March 2020 were at the rate of 30.8% (2019: 30.8%) of pensionable salaries less members contributions.

Members' contributions in the period were 8% of pensionable salary or 10% for members who wished to retain a normal retirement age of 60 years. Death in service insurance premiums were payable in addition by the employer.

The following information required by FRS 102 is based upon the full actuarial valuation of the scheme at 1 October 2016, updated to 31 March 2020 by Mr T McDougall, Fellow of the Institute and Faculty of Actuaries.

Under FRS 102 the fair value of the assets and the deficit in the scheme is as shown below:

	2020 £'000	2019 £'000
Fair value of scheme assets	17,092	19,103
Present value of scheme liabilities	(17,789)	(20,806)
Deficit in the scheme	(697)	(1,703)
 Net pension liability	 (697)	 (1,703)

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Assets at 31 March 2020 £'000	Proportion at 31 March 2020 %	Assets at 31 March 2019 £'000	Proportion at 31 March 2019 %
Equities (including property)	3,537	20%	4,501	23%
Bonds	1,714	10%	1,898	10%
Insured pensions	11,056	65%	12,178	64%
Cash	785	5%	526	3%
Total	17,092	100%	19,103	100%

The major assumptions used by the Actuary (in normal terms) were:

	2020 %	2019 %
Consumer Price Inflation (CPI)	1.70%	2.10%
Salary escalations	2.70%	3.10%
Pension increases:		
RPI subject to a maximum of 4%	2.40%	2.80%
RPI subject to a maximum of 5%	2.60%	3.10%
RPI subject to a maximum of 7%	2.70%	3.20%
Discount rate (pre and post retirement)	2.40%	2.30%

15 Pension commitments (continued)

King Edward VII's Hospital Staff Pension and Life Assurance Plan (continued)

Assuming retirement at age 65, the life expectancies in years are as follows:

	At 31 March 2020	At 31 March 2019
For a male aged 65 now	21.4	22.1
At 65 for a male member aged 45 now	22.8	23.9
For a female aged 65 now	23.4	24.3
At 65 for a female member aged 45 now	25.0	26.1

FRS 102 specifies the projected unit method for the current service cost. The scheme is closed to new entrants, so the average age and hence the current service cost is likely to rise.

The scheme has a number of purchased annuities in respect of past retirements. To the extent that these fully match the associated liabilities they have been excluded from both the assets and the liabilities at each accounting date.

	2020 £'000	2019 £'000
Analysis of amount charged to statement of financial activities		
Current service cost (excluding insured death-in-service benefits)	45	52
Operating charge	45	52
Analysis of net return on pension scheme		
Interest income on pension scheme assets	431	463
Interest cost on scheme liabilities	(468)	(506)
Net finance charge	(37)	(43)
Other recognised gains and losses		
Asset return less interest income	(1,746)	450
Experience gains on benefit obligations	118	174
Effect of assumptions changes on benefit obligation	2,472	(672)
Actuarial gains (losses)	844	(48)

Notes to the financial statements 31 March 2020

15 Pension commitments (continued)

King Edward VII's Hospital Staff Pension and Life Assurance Plan (continued)

The movement in the deficit during the period is as follows (unless otherwise specified, the figures calculated are based on the assumptions as at the beginning of the period):

	2020 £'000	2019 £'000
Deficit in scheme at 1 April 2019	(1,703)	(1,820)
Movement in period:		
Current service cost	(45)	(52)
Contributions	244	260
Net finance charge	(37)	(43)
Actuarial gains (losses)	844	(48)
Deficit in scheme at 31 March 2020	(697)	(1,703)

Reconciliation of opening and closing balances of the present value of the scheme liabilities:

	2020 £'000	2019 £'000
Scheme liabilities at 1 April 2019	20,806	20,654
Interest cost	468	506
Current service cost	45	52
Contributions by plan participants	10	—
Actuarial (gain) loss	(2,590)	498
Benefits paid	(950)	(904)
Scheme liabilities at 31 March 2020	17,789	20,806

Reconciliation of opening and closing balances of the fair value of the scheme assets:

	2020 £'000	2019 £'000
Fair value of scheme assets at 1 April 2019	19,103	18,834
Return on scheme assets less interest income	431	463
Actuarial (losses) gains	(1,746)	450
Contributions by employer	244	260
Contributions by plan participants	10	—
Benefits paid	(950)	(904)
Fair value of scheme at 31 March 2020	17,092	19,103

Aviva Group Personal Pension Plan

Employer contributions payable during the period were £182,507 (2019: £162,028).

NOW Pensions auto-enrolment scheme

Employer contributions payable during the period were £166,924 (2019: £44,379).

Notes to the financial statements 31 March 2020

16 Designated funds

The income funds of the charity include a designated fund which has been set aside out of unrestricted funds by the Trustees for the Hospital development project. As at 31 March 20120 this was £12,848,000 (2019: £14,569,000).

17 Fixed asset fund

	1 April 2019 £'000	Movement in year £'000	31 March 2020 £'000
Fixed asset fund	15,889	2,235	18,124

	1 April 2018 £'000	Movement in year £'000	31 March 2019 £'000
Fixed asset fund	14,499	1,390	15,889

The fixed assets fund represents the net book value of the Hospital's tangible fixed assets, excluding those represented by restricted funds. The tangible fixed assets are separated from the Hospital's general funds in recognition of the fact that the assets are used in the day-to-day work of the Hospital and are not, therefore, able to be realised in order to meet future contingencies or expenditure.

18 Restricted funds

	At 1 April 2019 £'000	Income £'000	Expenditure £'000	Investment gains and losses £'000	Capital expenditure and transfers £'000	At 31 March 2020 £'000
120th Anniversary Appeal Fund	12,221	—	—	—	(746)	11,475
Kantor Medical Centre	1,960	3,045	—	15	(629)	4,391
Equipment Fund	515	—	(477)	15	—	53
Centenary Appeal Fund	1,125	—	(61)	—	—	1,064
Freemasons Fund	9	—	—	—	—	9
Sister Agnes Benevolent Fund	985	126	(464)	(101)	—	546
Alexander Michael Levy Fund	4,291	41	4	(94)	(3,569)	673
	21,106	3,212	(998)	(165)	(4,944)	18,211

Notes to the financial statements 31 March 2020

18 Restricted funds (continued)

	At 1 April 2018 £'000	Income £'000	Expenditure £'000	Investment gains and losses £'000	Capital expenditure £'000	At 31 March 2019 £'000
120th Anniversary Appeal Fund	13,422	—	—	—	(1,201)	12,221
Kantor Medical Centre Equipment Fund	3,000	69	—	—	(1,109)	1,960
Centenary Appeal Fund	978	—	(463)	—	—	515
Freemasons Fund	1,186	—	(61)	—	—	1,125
Sister Agnes Benevolent Fund	10	—	(1)	—	—	9
Alexander Michael Levy Fund	808	587	(457)	47	—	985
	3,972	156	(45)	208	—	4,291
	<u>23,376</u>	<u>812</u>	<u>(1,027)</u>	<u>255</u>	<u>(2,310)</u>	<u>21,106</u>

The 120th Anniversary Appeal Fund launched by the Board of Trustees in 2017 represents a fund for the three year development of the Hospital, comprising the main Hospital, The Kantor Medical Centre and diagnostic facilities.

The Equipment Fund represents donations received to finance the purchase of specific fixed assets, less write offs and depreciation of the assets financed by the donations.

The Centenary Appeal Fund represents net monies raised towards the redevelopment of part of the Hospital's long leasehold property to provide accommodation for nurses and consulting rooms for surgeons and physicians. Depreciation on this facility is treated as a charge against the Centenary Appeal Fund.

The Freemasons Fund represents net monies available to provide future grants to Service patients to assist with payment of fees for physiotherapy services.

The Sister Agnes Benevolent Fund represents net monies available to provide future grants to Service patients to assist with payment of Hospital fees.

The Alexander Michael Levy Fund is a Linked Charity of the Hospital. The Charity of Alexander Michael Levy's constitution was amended in 2017, which extended the charity's objects and removes some restrictions on the beneficiary class, allowing surplus income and accumulated capital to be applied to the general purposes of King Edward VII's Hospital.

In 2019/20, the unrestricted funds of the Linked Charity have been transferred to the unrestricted funds of the Hospital. The permanent endowment fund of the Linked Charity continues to be held as a restricted fund of the Hospital at 31 March 2020. Permanent endowment funds of the Linked Charity were £673,000 at 1 April 2019 and at 31 March 2020, which consisted solely of listed investments. There was no income and expenditure in the permanent endowment fund in the year.

19 Analysis of net assets between funds

	General funds £'000	Designated funds £'000	Pension reserve £'000	Fixed assets fund £'000	Restricted funds £'000	2020 Total £'000
Tangible fixed assets	—	—	—	18,124	1,120	19,244
Investments	—	3,756	—	—	17,091	20,847
Net current assets	7,929	9,092	—	—	—	17,021
Pension liability	—	—	(697)	—	—	(697)
	7,929	12,848	(697)	18,124	18,211	56,415

	General funds £'000	Designated funds £'000	Pension reserve £'000	Fixed assets fund £'000	Restricted funds £'000	2019 Total £'000
Tangible fixed assets	—	—	—	15,889	1,643	17,532
Investments	—	6,442	—	—	19,463	25,905
Net current assets	4,859	8,127	—	—	—	12,986
Pension liability	—	—	(1,703)	—	—	(1,703)
	4,859	14,569	(1,703)	15,889	21,106	54,720

20 Lease commitments

The Hospital's properties are held under leases with expiry dates in 2125. The total future rental to which the Hospital is committed as at 31 March 2020 under the terms of the various leases for the five year period up to the next rent review is £8,741,000 (2019 - £1,047,000 for the one year period).

At 31 March 2020 the Hospital was committed to pay total future rental payments of £1,169,000, of which £501,000 is due within one year (2019 - £nil) in respect of medical equipment held under operating leases.

Notes to the financial statements 31 March 2020

21 EBITDA reconciliation

	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Net income (expenditure) before investment (losses) gains (per statement of financial activities)		1,503		(1,378)
Income adjustments				
Donations and legacies	4,489		2,133	
Other trading activities	—		37	
Investment income and interest receivable	590		599	
		(5,079)		(2,769)
Expenditure adjustments				
Depreciation	1,916		1,971	
Assets under construction adjustment	—		281	
Expenditure on raising funds	489		619	
Grants payable	126		41	
Grants – pain management programme	334		360	
		2,865		3,272
EBITDA		(711)		(875)