



HERTFORD BRITISH HOSPITAL CORPORATION, Paris

ANNUAL REPORT OF THE DIRECTORS

FOR THE YEAR ENDED

31st DECEMBER 2020

1 REFERENCE AND ADMINISTRATIVE DETAILS

Name	Hertford British Hospital Corporation, Paris (hereafter, indifferently, "HBHC", "the Corporation" or "the Charity")
Charity number	248 198
Company number	00 878 934
Principal office	3 rue Barbès, 92300 Levallois Perret, France
Registered office UK	8th Floor, 20 Farringdon St, London EC4A 4AB, United Kingdom

1.1 Auditors

The Corporation's auditors are:

- Grant Thornton, 27, rue James Watt, 37206 Tours

1.2 Bankers and fund managers

The Corporation's bankers are:

- Crédit du Nord, 50 rue d'Anjou, 75008 Paris
- Dexia, 1 passerelle des Reflets, Tour Dexia, La Défense 2, 92919 La Défense, France
- Société Générale, Centre d'Affaires Hauts de Seine Nord, 3 place de Saverne, 92400 Courbevoie, France
- Barclays Bank, Leicester LE87 2BB, United Kingdom
- CCLA, Senator House, 85 Queen Victoria Street, London EC4V 4ET, United-Kingdom

1.3 Solicitors and other legal advisers

The Corporation's legal advisers throughout 2020 and to date are:

- Maurice Turnor Gardner LLP, 15th Floor, Milton House, Milton Street, London EC2Y 9BH
- TMF Corporate Secretarial Services Ltd., 8th Floor, 20 Farringdon St, London EC4A 4AB
- Simmons & Simmons LLP, 5 boulevard de la Madeleine, 75001 Paris, France
- Maître Séverine Lamey, 26 avenue de l'Opéra, 75001 Paris, France
- Maître Anne Garzon de Clavière, 140 rue de Courcelles, 75017 Paris, France

2 DIRECTORS, TRUSTEES AND COUNCIL OF MANAGEMENT

The Directors of the Corporation, the Trustees of the Charity and the members of the Council of Management serving during the year and since the year end (collectively hereafter "the Directors" or, indifferently, "the Trustees") were as follows:

Christopher Wicker, Chairman from 16th September 2020

Michel de Fabiani, OBE, Chairman until 16th September 2020, Representative Member

Dr Julia Bache

David Blanchard

Susan Cheyne, Honorary Treasurer until 31st December 2020; Deputy Chairman since 16th September 2020

Stephen Cowen

Thierry Drilhon representing the FBCCI (ex-officio Trustee) from 9th July 2020

Sandra Esquivia-Hesse

Christopher Gilmore

Ian Gosling

Peter F.V. Howard, OBE (Representative Member) until 16th September 2020

Iain Hutton (resigned 10th December 2020)

Paul Johnson-Ferguson, from 16th September 2020

Robert Lewis representing the FBCCI (ex-officio Trustee) until 9th July 2020

Matthew Lodge representing the British Embassy (ex-officio Trustee)

Jane Maurin, MBE, Deputy Chairman (Representative Member) until 16th September 2020

Ian McDonald

Richard Seguin

Alicia Suminski

Bridget Terrell, Honorary Secretary

Peter Terrell

Charles Wilson, OBE, Representative Member

2.1 Committees and working groups

The Directors are allocated to the various working groups and committees as shown below. The Chairman and Vice-Chairman are considered ex-officio members of all the Committees and the Director General (see 3.4 below) is a guest at all meetings.

2.1.1 HOSPITAL LIAISON GROUP

Michel de Fabiani, OBE, Chairman

Charles Wilson, OBE,

Dr Julia Bache

2.1.2 PROPERTY COMMITTEE

Stephen Cowen, Chairman

Christopher Gilmore

Ian Gosling

Paul Johnson-Ferguson

Peter Terrell

2.1.3 FINANCE, RISK & AUDIT COMMITTEE

Susan Cheyne, Chairman until 31st December 2020

Paul Johnson Ferguson, Chairman from 1st January 2021

David Blanchard

Stephen Cowen

Iain Hutton, until 10th December 2020

Ian Gosling

Ian McDonald

2.1.4 GOVERNANCE and NOMINATIONS COMMITTEE – whose remit was enlarged in 2020 to include governance, previously under the Finance Committee

Christopher Wicker, Chairman, until 16th September 2020

David Blanchard, Joint-Chairman from 16th September 2020

Susan Cheyne, Joint-Chairman from 16th September 2020

Dr Julia Bache

Peter Terrell

Richard Seguin

2.1.5 STRATEGY COMMITTEE

Christopher Wicker, Chairman until 16th September 2020

Peter Terrell, Chairman from 16th September 2020

Sandra Esquivia-Hesse

Richard Seguin

Charles Wilson, OBE

Stephen Cowen

2.1.6 COMMUNICATIONS AND WEBSITE COMMITTEE – dissolved after the AGM of 16th September 2020

Peter E.V. Howard, OBE, Chairman

Jane Maurin, MBE

Dr Julia Bache

2.1.7 CHARITABLE GIVING COMMITTEE – created by the AGM of 16th September 2020

Ian McDonald, Chairman

Dr Julia Bache

Bridget Terrell

3 STRUCTURE, GOVERNANCE AND MANAGEMENT

3.1 GOVERNING DOCUMENTS AND OVERVIEW OF THE HISTORY OF THE CHARITY

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

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

During the year 2018, the hospital activity of the IHFB declined, with the single exception of the Oncology sector, and after taking account of the contributions from the French Health Authorities, the loss for the year amounted to some three million euros.

Given that the losses were predicted to continue to grow in 2019, the OPS entered into negotiations with the Fondation Cognacq-Jay (the "Fondation"), another French charity in the health sector, with a view to transferring the IHFB to a joint venture to be formed with that charity. On 21st December 2018 a final protocol was signed with the Fondation and, with effect on 1st March 2019, the activity of IHFB was transferred to a joint venture in the form of a Groupement de Coopération Sanitaire (the "Groupement") created by the two charities after receiving the approval of the French Health Authorities. As part of the transaction, the OPS sold the properties situated in rue Kleber, on which the main hospital building stands, to the Fondation for €30 million and an amount of €4 million was injected into the Groupement by the Fondation. As a result, the Fondation held 70.6 % of the capital of the joint venture, with the OPS holding the balance. HBHC was kept informed by OPS throughout the negotiations and HBHC sought and obtained the approval of the Charity Commission to the transaction.

Following the finalisation of the IHFB's accounts for 2019, it became necessary to inject a further eight million euros by way of capital into the joint venture. This was provided entirely by the Fondation whose percentage ownership in the capital of the Groupement was increased as a consequence to 99.67 % and reduced OPS' share to 0.33 %. This ensured the long-term future of the hospital activity and the continued employment of the seven hundred staff.

As a result of the transfer of the hospital activity to the Groupement, the Management Committee of the IHFB was replaced by a six-member Strategy Committee comprised of three representatives of the Fondation, three representatives appointed by the OPS of which one was a nominee of HBHC, and which was presided over by one of the representatives of the Fondation.

HBHC's obligation to contribute to the funding of the continuing deficits of the IHFB came to an end on 31st December 2019, as provided for in the Amendment of 22nd July 2015 to the 2008 agreement between the Charity and OPS.

The hospital activity was exercised by the Groupement throughout most of 2020 and continued to benefit from the Occupancy Agreement which had been entered into by the Corporation and OPS in 2018 and which allowed the Maternity Department to use the Corporation's hospital building to house its Maternity Department until 2031 at the latest. In September 2020, the Fondation injected fresh funds into the Groupement and, as part of its restructuring, the OPS withdrew from participation in the hospital, whose activities are henceforth managed solely by the Fondation. As a consequence, the Corporation and OPS agreed on 28th September 2020 to end their own relationship.

Following this agreement, which made the Occupancy Agreement null and void, a new agreement was entered into between the Corporation and the Fondation making the hospital building available rent free until September 2025, with a potential extension until 2026.

As a result of the above developments, HBHC will relinquish its seats on the Board of OPS as soon as is practical in 2021.

Following the Corporation's 2020 Annual General Meeting on 16th September 2020, the Hospital Liaison Committee was repurposed to work alongside the Fondation to help the latter maintain the British aspect of the hospital activity.

As part of the reorganisation of the hospital activity, on 1st January 2021, the Corporation sold its remaining medical activity (the "Centre International de Dermatologie" or "CID") to the Fondation for a symbolic sum and entered into an agreement similar to that signed for the hospital building so that the CID could continue to use its existing premises at 12 rue Barbès rent free. All the employees attached to the CID were transferred to the Fondation.

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

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

3.2 APPOINTMENT OF TRUSTEES

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

The ex-officio members are:

- A senior representative of Her Britannic Majesty's Embassy in Paris and
- The President of the Franco-British Chamber of Commerce and Industry in Paris.

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

Co-opted members are appointed for a term not exceeding five years and are eligible for re-election.

Trustees are chosen with regard to their availability to spend time on the charity and their specialist skills and experience in management, finance, law, property...

3.3 TRUSTEE INDUCTION AND TRAINING

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

3.4 ORGANISATION

The Council of Management administers the charity and meets quarterly. At the Council meeting held immediately after the Annual General Meeting, the trustees elect a Chairman, a Deputy Chairman, an Honorary Treasurer and a Secretary. The trustees also elect the Chairmen and members of the various committees listed above and, as appropriate, approve their terms of reference.

These committees make recommendations to Council on the long-term strategy, oversee the finances of the Charity (including its reserves policy), the charitable activities (including the grant giving policy), the succession planning for trustees and the operations of its commercial property portfolio. They meet as often as required.

The Chairman has requested that the relevant committees work in 2021 to review and update all relevant policies, including in particular the reserves and giving policies, in the light of the significant changes in the activities of the Corporation as explained in chapter 4 below.

In 2020, knowing that the Chief Accountant of the Corporation would be retiring in 2021, the Council decided to outsource the accounting function and appoint a Director General with sufficient authority to manage affairs on a daily basis, represent the Corporation vis à vis third parties and assist the Directors in preparing the Corporation for the changes required once the hospital building cease to be used by the Foundation in 2025 or 2026.

3.5 RELATED PARTIES

The Charity has a long-standing relationship with the British Charitable Fund, Paris ("BCF"). The BCF, a registered charity, provides help to British residents in France who have fallen on hard times. The founder of the Original Charity, Sir Richard Wallace, was a most generous benefactor of the BCF in the past and today the Corporation provides rent-free accommodation to the BCF at 12 rue Barbès and makes a small financial contribution each year.

3.6 PRINCIPAL RISKS AND UNCERTAINTIES FACING THE CHARITY

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

Members of the Property Committee ensure that the Charity's portfolio of commercial buildings is properly maintained and that its properties are rented out to suitable tenants at market levels of rent.

The tenants of the Château building (which is the original 1898 hospital building and is a historical monument, now used as offices) have been in dispute with the Charity over the payment of business tax for several years. In 2019, the tenants held back rent and charges in excess of the business tax in dispute. In 2020 and into 2021, after a period of closure due to the government lockdown in response to the pandemic, the tenant made no payments at all and the amount owing will exceed €1 million by June 2021. The Corporation is pursuing legal action on both the business tax issue and the non-payment of rent and intends to vigorously defend both its financial position and the building.

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

The Covid-19 sanitary crisis in 2020 has had a significant impact on the Charity's operations through, in particular, the problems associated with operating the CID safely and the decrease in rental income during the period of confinement. This is more fully explained in note 3.1 to the financial statements.

4 OBJECTIVES AND ACTIVITIES

The objects for which the Original Charity was established were to operate a hospital in or near Paris for the treatment and relief of persons suffering from illness, injury, disease or other infirmity or otherwise requiring medical attention, being primarily British residents, as well as serving the local population.

The present-day objectives of the Corporation are, in all essential respects, identical to those initially laid down by the founder. These objectives, as expressed in its Memorandum of Association, are dedicated to the medical treatment of patients of British nationality resident in France or of any other nationality, but with a preference for the former. These objectives have been extended to the provision of other health services and retirement homes

In 2006, the objects of the Original Charity were expanded (with the Charity Commission's consent) to include the protection of health by such means as the trustees consider appropriate and the relief of those in need.

As already described above, the way in which these objectives were achieved has evolved through time, with the approval of the Charity Commission. As from the transfer of the Original Charity's hospital activity to the OPS on 1st June 2008 until September 2020, the Corporation participated in the Management (later Strategy) Committee which supervised the management of the new joint hospital. As part of the agreement with the OPS (which had retroactive effect to 1st January 2008) an occupancy agreement put at the disposal of the new joint hospital the building belonging to the Original Charity and which house the maternity department. Only the Dermatology Centre (CID) was maintained under the full ownership of HBHC. The CID has reported an operating loss each year since 2008 despite management's efforts to improve this situation.

From 28th September 2020, the objectives continue to be met by making the hospital premises available to the Fondation Cognacq-Jay on a rent free basis until 2025/26 ; by managing the provision of dermatological care through the CID and by contributing in kind (rent free office space) and financially to the British Charitable Fund ("BCF") so that it can provide for British citizens in need of care. It is worth noting that, had the hospital been rented to the Fondation Cognacq-Jay at a market rent, as estimated by CBRE in a report dated May 2021, that rent would have fallen in the range of €1 million to €1.2 million.

From 1st January 2021, following the sale of the CID, the objectives are met through the rent-free provision of the hospital and CID premises and through the support afforded the BCF. The Corporation continues to assist the Fondation Cognacq-Jay with the “British” aspects of the hospital.

The Charity is the beneficial owner of certain commercial properties. In 2008, in order to renovate the main commercial buildings the Charity borrowed €8.7 million from Dexia for a term of fifteen years, together with an additional loan of €1.5 million in 2009. A new charge effective from September 2020 has been put in place to guarantee repayment of the loans.

Throughout 2020, the Trustees complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers and duties.

5 ACHIEVEMENTS AND PERFORMANCE

As is more fully described in the various chapters above, the Corporation has seen its role in the provision and management of hospital care evolve over time, moving away from the direct provision of care in 2008 and then relinquishing its management role in 2020 before handing over the CID in early 2021.

Throughout the years, the aim has always been to meet the founder’s objectives whilst preserving the assets at a time when the economic pressures on the provision of care grew constantly.

Today, whilst the objectives continue to be met through the provision of premises, non-financial support to the Fondation Cognacq-Jay and support to the BCF, the Trustees are working on a strategic plan, for submission to the Charity Commission in due course, that would, if approved, see the Corporation focus on the wellbeing of British citizens in France through various means, including the redevelopment of the hospital site.

6 FINANCIAL REVIEW

The financial statements as at and for the year ended 31st December 2020 show that the Corporation was impacted by the Covid 19 sanitary crisis in 2020/21 in two ways: directly by the closure of the CID for certain periods (resulting in a loss of revenue estimated at £157 000 (€175,000)) and indirectly by the impact on commercial tenants. This impacted cash flows significantly and a government backed loan of £898 101 (€999,000) was taken out in August 2020.

The cash position of the Charity at 31 December 2020 was £1 244 729 (€1 391 044), and Loans outstanding represent £3 113 724 (€3 463 542)

Current cash flow forecasts anticipate the final repayment of all loans on time assuming, as permitted, that the government backed loan will be repaid over the full permitted term.

Let property income, which should have increased due to an increase in income from the 12, rue Barbès building plus, in August 2020, the end of the rent-free period on Wallace Gardens has suffered because of the situation on the Château whose tenant continues not to pay the rent due despite a significant concession by the Corporation which forgave 3 months’ rent in recognition of the issues created by the lockdown. This was in line with the practice recommended by the French Government and was agreed to despite that fact that, unlike commercial landlords, the Corporation could not benefit from the tax break created by government to incite landlords to forgo rent during lockdown.

The CID reported a net loss for the year of €108 000 (2019 net loss of €185 000).

In 2020, the Charity made an operating profit of £700 987 (€779 741) before tax and revaluation of its investment properties. There is a profit of €110 646 / £ 99 470 (2019 €546 099 / £464 621) in the French accounts due to a difference in the treatment of depreciation.

A professional valuation of the property on the rue Barbès site resulted in an increase in the estimated market value of £449 500 (€500 000) bringing the total value of the property portfolio to £48.9 million (€54.4 million).

As is further explained in note 16.3 to the financial statements, the land on which are situated the current hospital and the Villiers investment properties is vested in the Secretary of State for the Environment and managed and administered by the Council of Management of the Corporation who are also Trustee of the Original Charity (Hertford British Hospital).

7 PLAN FOR FUTURE PERIODS

The Finance, Risk & Audit Committee will continue to keep costs to a minimum. Interest payments to banks should steadily reduce from the current rate of £134 000 (€149 000) p.a. to zero in 2024 when outstanding bank loans should be paid off, excluding unforeseen circumstances.

The Charity is compliant with the General Data Protection Regulation (GDPR) which came into force in May 2018. This law has particular relevance to the operations of the Dermatology Centre (CID) and the Corporation has a Data Protection Officer (outsourced) to manage its compliance.

The Strategy Committee is examining the future role of the Corporation as described above and will make recommendations to the Council before submission to the Charity Commission. Discussions are also in early stages with HM Government and the Charity Commission as to the potential reorganization of the way in which the Original Charity's assets are held.

8 TRUSTEES' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

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

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

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

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

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

9 AUDITORS

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

*
* *

By order of the Directors

Christopher Wicker, Chairman

31st May 2021

A handwritten signature in black ink, appearing to be 'CW', with a long horizontal line extending from the bottom of the signature.

Statutory auditor's Report on the financial statements

Year ended 31 December 2020

Hertford British Hospital Corporation, Paris

3, rue Barbès
92300 Levallois Perret

Grant Thornton

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

Statutory auditor's Report on the financial statements

Hertford British Hospital Corporation, Paris Year ended 31 December 2020

To the Trustees,

In our capacity as French statutory auditor and in accordance with your request for the purpose of the Charity Commission Requirements, we hereby report to you on the audit of the accompanying financial statements of **Hertford British Hospital Corporation, Paris** for the year ended 31 December 2020 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flow and the related notes 1 to 25.3. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of Trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 9, the Trustees (who are also the directors of the Charitable Company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees

either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs 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.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 December 2020 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Principles; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

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

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

Paris, 31st May 2020

The Statutory auditor
Grant Thornton
French Member of Grant Thornton International

Adam Nicol
Partner





HERTFORD BRITISH HOSPITAL CORPORATION, Paris

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

Statement of Financial activities
(including income and expenditure account)
For the year ended 31st December 2020

		Unrestricted funds			
		2020	2019	2020	2019
		€	€	£ (0.8990)	£ (0.8508)
Income and endowments					
<i>Income from trading activities:</i>					
Income from property investments	5	2 633 143	2 756 715	2 367 195	2 345 413
<i>Income from charitable activities:</i>					
Health service income	6	1 077 073	1 371 649	968 289	1 166 999
Total income and endowments		3 710 216	4 128 364	3 335 484	3 512 412
<i>Expenditure on raising funds</i>					
Cost of generating funds		1 389 503	1 234 527	1 249 164	1 050 336
Total expenditure on raising funds	7	1 389 503	1 234 527	1 249 164	1 050 336
<i>Expenditure on charitable activities:</i>					
Health services expenditures	8 & 9	1 431 852	1 552 407	1 287 235	1 320 788
Governance costs	12	109 120	84 500	98 099	71 892
Total expenditure		2 930 475	2 871 434	2 634 498	2 443 016
Net income before non-operating items		779 741	1 256 930	700 986	1 069 396
Provision for retirement indemnities		..	(34 255)	..	(29 144)
Net income before unrealised gains on investment properties		779 741	1 222 675	700 986	1 040 252
Gains / (losses) on revaluation of investment properties	16	500 000	1 200 000	449 500	1 020 960
Net movement in funds before taxation		1 279 741	2 422 675	1 150 486	2 061 212
Taxation	13	..	..	..	..
Net movement in funds after taxation		1 279 741	2 422 675	1 150 486	2 061 212
Funds brought forward at 1 st January	23	53 531 664	51 108 989	45 544 740	45 718 524
Exchange difference		..	..	2 580 227	(2 234 996)
Funds carried forward at 31st December	23	54 811 405	53 531 664	49 275 453	45 544 740

The footnotes form an integral part of the financial reporting.

Balance sheet
As at 31st December 2020

		2020	2019	2020	2019
		€	€	£	£)
Fixed assets					
Intangible fixed assets:	14	2 345	5 972	2 109	5 080
Tangible fixed assets	15	2 564 383	2 692 808	2 305 379	2 291 039
Investment properties	16	54 400 000	53 300 000	48 905 600	45 347 640
Financial assets		..	..	..	..
		56 966 728	55 998 780	51 213 088	47 643 759
Current assets					
Debtors	17	2 384 994	2 055 217	2 144 111	1 748 578
Short term investments		24 033	23 868	21 606	20 307
Cash at bank and in hand		2 710 176	1 642 005	2 436 448	1 397 018
Sinking fund	18	230 371	280 000	201 104	238 224
		5 349 574	4 001 090	4 809 269	3 404 127
Current liabilities					
Creditors	19	1 552 082	1 073 732	1 395 323	913 526
Loans (excluding accrued interest)	20	2 388 360	2 138 607	2 147 135	1 819 527
Taxation	13	..	..	..	..
		3 940 442	3 212 339	3 542 458	2 733 053
Net current assets		1 409 132	788 751	1 266 811	671 074
Total assets less current liabilities		58 375 860	56 787 531	52 749 899	48 314 833
Long-term liabilities					
Loans	20	2 624 485	2 265 291	2 359 412	1 927 310
Provisions	21	133 490	325 546	120 008	276 975
Investment grant	22	606 480	665 030	545 226	565 808
Creditors	19	200 000	..	179 800	..
		3 564 455	3 255 867	3 204 446	2 770 093
Total net assets		54 811 405	53 531 664	49 275 453	45 544 740
Unrestricted funds					
Revaluation reserve	23	29 902 768	31 284 515	26 882 588	26 616 866
Special and other reserves	23	24 908 637	22 247 149	22 392 865	18 927 874
Total unrestricted funds		54 811 405	53 531 664	49 275 453	45 544 740

The footnotes form an integral part of the financial reporting.


Chairman


Director General

Statement of cash flow
For the year ended 31st December 2020

		2020	2019	2020	2019
		€	€	£	£)
Cash flow from operating activities					
Net incoming resources for year		779 741	1 222 675	700 986	1 040 252
Depreciation		138 429	150 654	124 448	128 176
Decrease / (increase) in debtors		(329 777)	(1 191 682)	(296 469)	(1 013 883)
Increase / (decrease) in creditors		678 350	(380 268)	609 837	(323 532)
Increase / (decrease) in provisions	21	(192 056)	221 981	(172 658)	188 861
Increase / (decrease) in investment grant		(58 550)	(58 550)	(52 636)	(49 814)
Cash generated by operating activities		1 016 137	(35 190)	913 508	(29 940)
Taxation paid		..	..	..	..
Investing activities					
Net acquisition of fixed assets	15	(6 392)	..	(5 746)	..
Renovation of investment properties		(599 985)	..	(539 387)	..
Proceeds from disposal of fixed assets		..	6 507	..	5 536
Cash applied to investing activities		(606 377)	6 507	(545 133)	5 536
Net cash (outflow) / inflow before financing		409 760	(28 683)	368 375	(24 404)
Financing activities					
New long-term loans		999 000	..	898 101	..
Repayment of long-term loans		(487 466)	(688 527)	(438 232)	(585 799)
Cash applied to financing activities		511 534	(688 527)	459 869	(585 799)
Net cash applied					
Net opening cash		493 983	1 211 193	444 091	1 030 484
Net closing cash		1 415 277	493 983	1 272 335	420 281
Net closing cash					
Cash at bank and in hand		2 710 176	1 642 005	2 436 448	1 397 018
Sinking fund	18	230 371	280 000	207 104	238 224
Short term investments		24 033	23 868	21 606	20 307
Current liabilities – short term bank loans		(1 549 303)	(1 451 890)	(1 392 823)	(1 235 268)
Net closing cash		1 415 277	493 983	1 272 335	420 281

The footnotes form an integral part of the financial reporting.



HERTFORD BRITISH HOSPITAL CORPORATION, Paris

Notes to the financial statements for the year ended 31st December 2020

1 Legal status, activities and financing

Hertford British Hospital Corporation, Paris (hereafter “the Corporation”), was incorporated in the United Kingdom on 10th May 1966 as a company limited by guarantee and not having a share capital. The Corporation was established for purposes which are exclusively charitable, and in this context, provides hospital premises, undertakes the management of a specialist centre in dermatology (referred to as the “CID”), and provides office accommodation and limited financial support to the British Charitable Fund, a related but independent charity.

The Corporation also owns a portfolio of investment properties

2 Accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared in accordance with the Statement of Recommended Practice—Charities (FRS 102) as per October 2019 and effective at 1st January 2019, applicable UK Accounting Standards and the Companies Act 2006. The principal accounting policies adopted in the preparation of the financial statements are set out below.

2.2 Functional and reporting currencies

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

- At 31st December 2020 and the year then ended: € 1 = £ 0.8990
- At 31st December 2019 and the year then ended: € 1 = £ 0.8508

2.3 Income and endowments

Investment income is recognised on an accruals basis.

Where leases on investment properties provide for a rent-free period and where sums are significant, the rental income is spread over the period of the lease to provide a constant return over that period.

For significant amounts, the rent-free period is spread over the term of the lease by accounting for “Income not yet invoiced” and a corresponding amount receivable. This amount is released progressively over the term of the lease and the amount to be spread is revised annually in accordance with the relevant index.

Health services income is recognised as earned as and when the related medical services are provided.

Financing from the French government included in this category is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability.

- Health services income includes investment and other grants received. Investment grants relating to specific items of capital expenditure are credited to income based on the depreciation plan of the related equipment. Other grants are credited to income on expectation of receipt.
- Expenditure is recognised when a liability is incurred.

2.4 Costs of generating funds

These costs include let property expenses and interest on loans relating to the renovation of the Corporation's investment properties.

2.5 Charitable activities

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

2.6 Irrecoverable VAT

As a charity, the Corporation does not fall under the VAT regime for all its healthcare related activities; VAT is only applicable to the management and real estate activities.

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

2.7 Intangible fixed assets

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

2.8 Tangible fixed assets

Tangible fixed assets are stated at cost. Only those assets in use for medical purposes are classified as tangible fixed assets, investment properties being classified separately.

Individual fixed assets are capitalised at cost.

The cost of an asset is its purchase price, including customs duties and non-recoverable taxes, after deduction of rebates, trade rebates and cash discounts of all directly attributable costs incurred to bring the asset into use, in place and in working order for the intended use. Transfer rights, fees or commissions and legal costs related to the acquisition are attached to this acquisition cost.

All costs which are not part of the acquisition price of the asset and which cannot be directly attached to the costs made necessary to put the asset in place and in a state of operation in accordance with its intended use, are recognized as expenditure.

2.9 Valuation of investment properties

The Trustees determine the market value of investment properties on the basis of valuations undertaken by professional surveyors and estate agents on a rotational basis over three years.

2.10 Depreciation

No depreciation is provided on assets under construction. Depreciation of other tangible fixed assets is calculated on the straight-line method at annual rates designed to write off the cost or valuation over their estimated useful lives.

Depreciation rates are as follows:

• Land	not depreciated
• Structure	60 to 80 years
• Facades, roofing, external fixtures	30 to 40 years
• Fixtures & fittings	5 to 12,5 years
• Furniture and other equipment	5 to 10 years
• Medical and computer equipment	5 years

The Directors determine at the year-end, considering both internal and external information available to them, whether there are any indications that would suggest that the value of the assets may have been significantly impaired.

2.11 Investment grants received

Investment grants received to finance the acquisition of fixed assets are recorded on the balance sheet and taken to income based on the depreciation plan of the related equipment. Other grants received are credited to income on receipt.

2.12 Short-term investments

Short-term investments are stated at their market value at the balance sheet date.

2.13 Donations received

Any donations received during the year are recorded in unrestricted funds.

2.14 Current assets

Current assets are valued at their nominal value. A provision for depreciation is recorded when the realizable value is estimated to be lower than the book value.

2.15 Provisions

Any present obligation resulting from a past event with regard to a third party, which can be estimated with sufficient reliability, and covering identified risks, is recognized as a provision.

2.16 Retirement indemnities

Upon retirement, the Corporation's employees receive a lump sum retirement indemnity in accordance with the law and the collective agreement applicable to the Corporation. There is no specific agreement and no on-going pension liability for retired employees once this one-off indemnity has been paid.

In accordance with FRS 102, a provision for rights acquired by staff is established based on an actuarial calculation, reduced if applicable by the realizable value of the insurance contract taken out to meet the future cost of the retirement indemnities.

2.17 Impact of the Covid-19 pandemic

The Covid-19 pandemic is likely to have significant impacts on the assets, financial situation and results of companies. Relevant accounting information on these impacts constitutes a key element of the financial reporting for the period in question.

To achieve this, the Corporation has adopted a targeted approach to express the main relevant impacts on the performance of the year and on its financial situation.

Methodology followed:

The information provided relates to the main impacts, deemed relevant, of the event which are recorded in the Corporation's financial statements. A distinction was made between one-off effects and structural impacts. These effects are detailed taking into account the interactions and effects of the event on the usual aggregates, appreciating the gross and net impacts. The support measures from which the Corporation has been able to benefit are also assessed.

As the Covid-19 pandemic was still ongoing on the date the financial statements were approved by the Directors, the Corporation is unable to assess the precise consequences for the years to come.

3 Significant events

3.1 COVID 19 sanitary crisis

3.1.1 Impact on the CID

The lockdown measures decided by the Government in the fight against the pandemic resulted in the closure of the CID as follows:

- Full closure on 24th and 25th March and from 31st March to 15th April 2020,
- Partial closure from 26th to 30th March and from 16th to 30th April 2020.

This closure as well as the drop in attendance linked to the measures to fight the pandemic gave rise to a decrease in turnover estimated at €175 000.

Government measures to support the economy have made it possible to cover salaries and social charges for an amount of € 26 981 over the financial year. This allowed the CID to retain all its employees.

A resumption of activity after the reopening made it possible to limit the impact on the CID's annual turnover which amounted to €1 018 055 for 2020 (€1 313 099 in 2019).

3.1.2 Impact on tenants in investment properties

Pursuant to the imperative measures taken by the government in the context of the Covid 19 pandemic, establishments open to the public found themselves under administrative closure.

The activities of Zalthabar, tenant of the "Château" and of the crèche located at 12 rue Barbès were impacted, causing significant delays in payment of rent. Despite the impossibility for the Corporation to benefit from the tax advantage set up by the government, and in order to adapt the conditions of execution of the lease to the exceptional circumstances, the Corporation granted Zalthabar a discount equivalent to 3 months of rent excluding taxes, excluding charges, i.e. the sum of € 165,994, recorded as a reduction in income from property investments.

Other tenants have requested rent discounts following the health crisis, but at the date of closing of the accounts, no agreement has been reached on these possible discounts and the Corporation has not taken any firm decision on these requests.

3.1.3 Government guaranteed loan obtained

On 17th August 2020, the Corporation contracted with Crédit du Nord a loan of €999 000 guaranteed by the State. This loan gives rise to interest at a rate of 0.25% and, given the moratorium announced by the government, its first maturity will be 17th August 2022. The amortization period of this loan, at most 4 years from 17th August 2022, has not yet been agreed. The loan is shown as due in the long-term in Note 20.2.

3.2 Agreements to end the direct provision of healthcare

In September 2020, the Fondation Cognacq-Jay injected fresh funds into the Groupement de Coopération Sanitaire ("Groupement") the joint venture vehicle which had been set up by it and l'Oeuvre du Perpetuel Secours ("OPS") to own and manage the Institut Hospitalier Franco-Britannique hospital. As part of the restructuring, OPS withdrew from participation in the Groupement and from the management of the hospital which was renamed "Hopital Franco-Britannique Fondation Cognacq-Jay".

As a consequence, the Corporation and OPS agreed on 28th September 2020 to end their own relationship, including the agreement under which the Corporation had agreed to the Maternity Department of the hospital occupying its hospital building until 2031.

In this context, the Corporation has recognized that it does not have a right to recover the hospital activities transferred in 2008 and that in any event, it waives any such right should it exist.

The old occupancy agreement with OPS which allowed the hospital to occupy the building was replaced by a new agreement signed with the Fondation on 9th December 2020. As such, the Corporation consents, free of charge, and temporarily, in application of articles 1875 to 1891 of the French Civil Code, to the Fondation Cognacq-Jay, beneficiary-borrower, who accepts it, a rent-free lease relating to the hospital site at 3 rue Barbès, 92300 Levallois-Perret for a period of five full and consecutive years from 28th September 2020 at 00 hour, expiring on 28th September 2025 at midnight.

The lender accepts that the borrower may, 6 months before the end of the term, request a postponement of the initially planned term to 28th March 2026 or 28th September 2026. This request must be made no later than 28th March 2025.

At the end of the said agreement, the borrower undertakes to return the premises loaned, as well as the equipment present and mentioned in the inventory, in normal and usual condition.

All of the agreements between the Corporation, OPS and the Fondation Cognacq-Jay do not call into question the reimbursement by the Hôpital Franco Britannique of the subsidies described in note 21.

3.3 Litigation with Zalthabar

The Zalthabar company, tenant of the Château, disputes owing the tax on offices which is re-invoiced to it by Corporation in the amount of € 145,473 including VAT, as of 31st December 2020.

In addition, Zalthabar, whose activity is considered non-essential, was forced to close its establishment from 15th March until 22nd June 2020 and again from 30th October 30 until 31st December 2020, i.e. a period of 5 months.

Zalthabar has refrained from paying the rents and charges due in 2020 without making the slightest difference between the periods when it was closed or open.

This resulted in a backlog at 31st December 2020 of unpaid rents and charges including VAT amounting to € 775,151 and this despite the reduction in rent granted by Corporation and amounting to € 199,192 including VAT as described in note 3.1.2.

After deduction of the distraint collected in March 2021, the balance excluding VAT, i.e. €595 071, has been fully provided against as of 31st December 2020 as a precaution, even if the Corporation intends to actively pursue its legal action to assert all of its rights.

4 Post balance sheet events

4.1 Sale of the CID and transfer of staff

As of 1st January 2021, the Corporation, under an appropriate contract, ceded to the Fondation Cognacq-Jay the trading activity of the CID comprising:

- The trade name, the patient base attached to it;
- Equipment and other assets used for its operations;
- Stocks of consumables and medication.

The sale was made at net book value for fixed assets (€39 965 / £35 929) and inventories (€12 410 / £11 157); for an amount of € 1 for the trade name and patient base.

With the exception of protected employees who were transferred on 19th February 2021, all CID staff were transferred to the Fondation Cognacq-Jay on 1st January 2021.

4.2 On-going litigation with Zalthabar

The dispute described in note 2.3 has not been resolved as at the date on which the financial statements for the year ended 31st December 2020 were approved by the Directors and the amounts due in 2021 have not been settled despite the granting of payment facilities (monthly term expired rather than quarterly to expire) that the Corporation agreed to during the first quarter of 2021. As a result, as of 31st March 2021, the amount owed by Zalthabar amounts to € 983,183 including tax.

By decision of 19th February 2021, the judicial court of Nanterre joined together the two cases relating to the dispute concerning the tax on offices and the failure to pay rents. The next hearing is scheduled for 8th July 2021 for communication of the defendant's pleadings. In the meantime, the Corporation is actively pursuing its legal action to assert all of its rights and protect the integrity of its property.

5 Income from investments

	2020	2019	2020	2019
	€	€	£	£
Let property income				
Rental income and indemnities	1 997 505	2 132 319	1 795 757	1 814 177
Other charges invoiced to tenants	635 473	619 786	571 290	527 314
	<u>2 632 978</u>	<u>2 752 105</u>	<u>2 367 047</u>	<u>2 341 491</u>
Interest income				
Exchange gain / (loss) - net	165	4 610	148	3 922
Total income from investments	<u>2 633 143</u>	<u>2 756 715</u>	<u>2 367 195</u>	<u>2 345 413</u>

6 Income from health services

	2020	2019	2020	2019
	€	€	£	£
Health services income				
Patients' fees CID	804 599	1 060 011	723 335	901 857
Grant	55 131	62 267	49 563	52 977
Right of lease on hospital building	..	119 000	..	101 245
Other	217 343	130 371	195 391	110 920
Total income from health services	1 077 073	1 371 649	968 289	1 166 999

7 Expenditure on raising funds

	2020	2019	2020	2019
	€	€	£	£
Let property expense				
Expenses recoverable from tenants	253 735	260 388	228 108	221 538
Taxes recoverable from tenants	380 238	359 398	341 834	305 776
Property taxes	82 399	71 266	74 077	60 633
Other costs and expenses	149 696	166 301	134 577	141 489
Risk provisions (see below)	387 881	207 190	348 705	176 277
	1 253 949	1 064 543	1 127 301	905 713
Interest on borrowings				
<i>Investment properties:</i>				
Interest on loans	134 847	169 158	121 227	143 920
Bank interest	707	826	636	703
Total expenditure on raising funds	1 389 503	1 234 527	1 249 164	1 050 336

The risk provision in 2020 includes the total amount due by Zalthabar (€595 071), which is provided in 2020 as a bad debt, less the amount of €187 500 previously booked against this risk and reversed. See note 21.

8 Health services and other expenditure

	2020	2019	2020	2019
	€	€	£	£
Provision of health services				
Staff costs	850 498	1 011 456	764 598	860 547
Materials and consumables	35 353	43 276	31 782	36 819
Laundry	19 559	16 616	17 584	14 137
Other external costs	350 513	213 124	315 111	181 326
Taxes, other than income	55 773	66 846	50 140	56 873
Provisions	(4 556)	58 199	(4 096)	49 516
Other costs and expenses	65	6 726	58	5 722
	1 307 205	1 416 243	1 175 177	1 204 940
Depreciation				
<i>Hospital:</i>				
Buildings	121 020	131 794	108 797	112 130
Intangible assets	3 627	4 370	3 261	3 718
Total health services and other expenditure	1 431 852	1 552 407	1 287 235	1 320 788

9 Charitable activities

In addition to the direct provision of health services, the Corporation makes premises available freely to:

- The British Charitable Fund: a 50m² office whose market rent would be in excess of €15 000 per annum
- The hospital building whose market rent has been independently evaluated by CBRE in a report issued in May 2021 to fall in a range of €1 million to €1.2 million per annum

The Corporation also makes a small annual grant to the BCF. In 2020, this amounted to €50 000 (£44 950).

10 Staff costs

	2020	2019	2020	2019
	€	€	£	£
Salary costs	632 379	726 325	568 509	617 957
Social security costs	294 753	354 740	264 983	301 813
	927 132	1 081 065	833 492	919 770
Health services	850 498	1 011 456	764 598	860 547
Administration	76 634	69 609	68 894	59 223
	927 132	1 081 065	833 492	919 770

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

The average number of employees for the year was as follows:

	2020			2019		
	Total	Health	Admin.	Total	Health	Admin.
Doctors and midwives	9	9	..	14	14	..
Nurses and auxiliaries	2	2	..	2	2	..
Administrative staff	5	4	1	6	5	1
Total	16	15	1	22	21	1

Emoluments of employees:

	2020	2019
Above £70 000 (€80 000)	..	..
Between £62 000 and £72 000 (€70 000 and €80 000)	3	3
Below £62 000 (€70 000)	13	19
Total	16	22

The total gross remuneration of the three highest paid employees was €235 447 (£211 667) for the year ended 31st December 2020 (€231 351 / £196 833 in 2019).

Employee salaries are set in accordance with the collective bargaining agreement for the sector: the "Convention Collective National" dated 31 October 1951.

11 Indemnity insurance

Included in the costs for the provision of health services are the following premiums paid on an insurance policy which provides cover for losses arising from the neglect or default of the Directors, employees or agents and indemnification of the Directors against the consequences of any neglect or default on their part.

	2020	2019	2020	2019
	€	€	£	£
Premiums	2 975	2 917	2 675	2 482

12 Governance costs

These costs can be analysed as follows:

	2020	2019	2020	2019
	€	€	£	£
Staff costs	76 634	69 609	68 894	59 223
Provision for retirement indemnities	..	(23 718)	..	(20 179)
Audit fee	17 492	19 845	15 725	16 884
Legal fees	1 212	4 274	1 090	3 636
Depreciation	13 782	14 490	12 390	12 328
	109 120	84 500	98 099	71 892

13 Taxation

The Corporation is registered as a non-profit association in France under the law of 1st July 1901 and, as such, is only subject to income tax on the net profit arising from investment properties at a rate of 24% and on certain financial income at a rate of 10%.

The tax computation is as follows for the years to 31st December:

	2020	2019
	€	€
Taxable income from investment properties	316 117	341 748
Management costs	(69 323)	(19 182)
Insurance	(605)	(685)
Real estate and related taxes	(35 774)	(38 893)
Depreciation	(18 638)	(18 638)
Adjustment to amounts recovered from tenants	72 514	5 875
Improvements	(7 288)	(86 033)
Interest income	371	1 050
Loss carried forward at 1st January 2020	(769 722)	(954 964)
Loss carried forward at 31st December 2020	(512 348)	(769 722)
Tax charge for the year	..	..

14 Intangible assets

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

	2020	2019	2020s	2019
	€	€	£	£
Cost	88 301	88 301	79 383	75 126
Aggregate depreciation	(85 956)	(82 329)	(77 274)	(70 046)
	2 345	5 972	2 109	5 080

15 Tangible assets

Tangible assets are as follows:

Summary (in € and £)	Total	Buildings health services (see B below)	Other tangible fixed assets - Admin. (see C below)	Total	Buildings health services (see B below)	Other tangible fixed assets - Admin. (see C below)
	€	€	€	£	£	£
Cost or valuation						
At 1 st January 2020	11 039 327	10 825 659	213 668	9 392 258	9 210 470	181 788
Additions	6 392	..	6 392	5 746	..	5 746
Retirements	(1 682)	..	(1 682)	(1 512)	..	(1 512)
Exchange difference	..	..	..	532 096	521 796	10 300
At 31 st December 2020	11 044 037	10 825 659	218 378	9 928 588	9 732 266	196 322
Aggregate depreciation						
At 1 st January 2020	8 346 519	8 169 655	176 864	7 101 219	6 950 743	150 476
Charge for the year	134 802	121 020	13 782	121 187	108 797	12 390
Retirements	(1 667)	..	(1 667)	(1 499)	..	(1 499)
Exchange difference	..	..	..	402 302	393 777	8 525
At 31 st December 2020	8 479 654	8 290 675	188 979	7 623 209	7 453 317	169 892
Net book value						
At 1 st January 2020	2 692 808	2 656 004	36 804	2 291 039	2 259 727	31 312
At 31 st December 2020	2 564 383	2 534 984	29 399	2 305 379	2 278 949	26 430

The detailed analysis of the tangible fixed assets is as follows:

B. Health service (in €)	Total	Buildings Hospital 1990	Buildings Hospital 1982	Buildings Hospital 1974	Part of Buildings Barbès	Part of land Barbès
	€	€	€	€	€	€
Cost						
At 1 st January 2020	10 825 659	3 046 184	5 265 953	1 593 324	846 435	73 763
At 31 st December 2020	10 825 659	3 046 184	5 265 953	1 593 324	846 435	73 763
Aggregate depreciation						
At 1 st January 2020	8 169 655	2 109 047	3 758 562	1 593 324	708 722	..
Charge for the year	121 020	25 190	88 392	..	7 438	..
At 31 st December 2020	8 290 675	2 134 237	3 846 954	1 593 324	716 160	..
Net book value						
At 1 st January 2020	2 656 004	937 137	1 507 391	..	137 713	73 763
At 31 st December 2020	2 534 984	911 947	1 418 999	..	130 275	73 763

HERTFORD BRITISH HOSPITAL CORPORATION, Paris
Notes to the financial statements
Year ended 31st December 2020

B. Health service (in £)	Total	Buildings Hospital 1990	Buildings Hospital 1982	Buildings Hospital 1974	Part of Buildings Barbès	Part of land Barbès
	£	£	£	£	£	£
Cost						
At 1 st January 2020	9 210 470	2 591 693	4 480 273	1 355 600	720 147	62 758
Exchange difference	521 796	146 826	253 819	76 798	40 798	3 555
At 31 st December 2020	9 732 266	2 738 519	4 734 092	1 432 398	760 945	66 313
Aggregate depreciation						
At 1 st January 2020	6 950 743	1 794 377	3 197 785	1 355 600	602 981	..
Charge for the year	108 797	22 646	79 464	..	6 687	..
Exchange difference	393 777	101 656	181 163	76 798	34 160	..
At 31 st December 2020	7 453 317	1 918 679	3 458 412	1 432 398	643 828	..
Net book value						
At 1 st January 2020	2 259 727	797 316	1 282 488	..	117 166	62 758
At 31 st December 2020	2 278 949	819 840	1 275 680	..	117 117	66 313

C. Other fixed assets - Admin (in € and £)	Total	Furniture	Computer equipment	Total	Furniture	Computer equipment
	€	€	€	£	£	£
Cost						
At 1 st January 2020	213 668	184 990	28 678	181 788	157 389	24 399
Additions	6 392	4 849	1 543	5 746	4 359	1 387
Retirements	(1 682)	(1 386)	(296)	(1 512)	(1 246)	(266)
Exchange differences	..	..	..	10 300	8 917	1 383
At 31 st December 2020	218 378	188 453	29 925	196 322	169 419	26 903
Aggregate depreciation						
At 1 st January 2020	176 864	154 297	22 567	150 476	131 276	19 200
Charge for the year	13 782	9 939	3 843	12 390	8 935	3 455
Retirements	(1 667)	(1 371)	(296)	(1 499)	(1 233)	(266)
Exchange differences	..	..	..	8 525	7 438	1 087
At 31 st December 2020	188 979	162 865	26 114	169 892	146 416	23 476
Net book value						
At 1 st January 2020	36 804	30 693	6 111	31 312	26 113	5 199
At 31 st December 2020	29 399	25 588	3 811	26 430	23 003	3 427

16 Investment properties

	Total €	Total £
Historical cost		
At 31 st December 2020	25 149 576	22 609 469
Market value		
At 1 st January 2020	53 300 000	45 347 640
Fixed assets – increase	600 000	539 400
Revaluation of properties	500 000	449 500
Exchange difference	..	2 569 060
At 31 st December 2020	54 400 000	48 905 600

Investment properties are all located in Levallois-Perret in France and include:

- Land and buildings of the Villiers site which comprise 3 buildings, the original hospital building (now offices) at 48 rue de Villiers and two more recent office buildings at 1 rue Barbès and 2 rue Voltaire;
- Part of the land and building located at 12 rue Barbès.

16.1 Valuation of investment properties

The independent valuation of the Barbès offices at at 31st December 2020 was carried early 2021 by Savills. Other properties were last valued in 2018 and 2019.

16.2 Land and buildings at 12 rue Barbès

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

16.3 Secretary of State for the Environment

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

17 Debtors

Debtors comprise the following at 31st December:

	2020	2019	2020s	2019
	€	€	£	£
Receivables from health services and patients	1 532	906	1 377	771
Income not yet invoiced (rental on Batigère lease)	1 768 098	1 132 505	1 589 520	963 535
Stock of consumables	12 410	10 870	11 157	9 248
Other debtors and prepayments (net of a provision of €595 071 for Zalthabar in 2020)	187 435	314 662	168 505	267 714
Dexia, payment in advance on loan	..	189 555	..	161 273
VAT	46 114	29 526	41 456	25 121
Receivable from IHFB (now HFB-FCJ)	61 242	..	55 057	..
Investment grant from ARS to be received from IHFB (now HFB-FCJ)	211 863	248 793	190 465	211 673
Investment grant on cost overrun of the smoke extraction system to be received from IHFB (now HFB-FCJ)	96 300	128 400	86 574	109 243
	2 348 994	2 055 217	2 144 111	1 748 578

18 Sinking fund

A sinking fund has been set up to meet unforeseen expenses. As of 31st December 2020, this fund has a balance of € 230,000 / £207 000 (2019 € 280,000 / £238 224). The amount is invested in a passbook savings account and earned interest of € 371 / £334 for the year ended 31st December 2020 (2019 € 2,485 / £2 114). This fund is included in current assets and in rental income and indemnities as non-material income.

This "sinking fund" was planned to face future cost of refurbishment but there is in fact no constraint on its use and, in 2020, given the difficulties described in note 3, part of it was used to finance current operations.

19 Current liabilities

Current liabilities comprise the following at 31st December:

	2020	2019	2020	2019
	€	€	£	£
Social security costs	95 968	78 012	86 275	66 373
Provision for holiday pay	11 410	80 430	10 258	68 430
Suppliers	60 072	70 130	54 005	59 667
Due to tenant Batigère	600 000	..	539 400	..
Deposits received from tenants	657 705	635 537	591 277	540 715
VAT	188 280	73 685	169 264	62 691
Other taxes	14 756	5 200	13 266	4 424
IHFB contribution (see below)	..	6 000	..	5 105
Rent paid in advance – Orange	9 154	9 154	8 229	7 788
Due to IHFB (now HFB-FCJ)	..	38 348	..	32 626
Accrued interest on loans	65 248	39 377	58 658	33 502
Other creditors and accruals	49 489	37 859	44 491	32 205
	1 752 082	1 073 732	1 575 123	913 526

Under the terms of the Amendment to the Agreement with OPS entered into in 2008, it was agreed that the Corporation would fund deficits incurred by the OPS from 2008 and 2013 (£1.57 million or €1.75 million) and make a contribution towards deficits incurred between 2014 and 2019 (£1.48 million or €1.65 million). The Corporation has no liability to fund deficits incurred after 2019. After paying £242 000 (€269 000) in 2019, a final payment of €6 000 was made in 2020.

20 Loans

20.1 Summary

Details of outstanding loans as follows at 31st December:

	2020	2019	2020	2019
	€	€	£	£
Short-term bank loans	1 549 303	1 451 890	1 392 823	1 235 268
Short-term portion of property loans	839 057	686 717	754 312	584 259
Total short-term loans	2 388 360	2 138 607	2 147 135	1 819 527
Long-term portion of property loans	2 624 485	2 265 291	2 359 412	1 927 310
Total loans	5 012 845	4 403 898	4 506 547	3 746 832

20.2 Property loans in detail

		Total	Long-term	Short-term	Total	Long-term	Short-term
	Note	€	€	€	£	£	£
At 1 st January 2020							
Dexia		2 703 215	2 102 501	600 714	2 299 895	1 788 808	511 087
Société Générale		248 793	162 790	86 003	211 673	138 502	73 171
Total		2 952 679	2 265 291	686 717	2 511 568	1 927 310	584 258
At 31 st December 2020							
Dexia	(a)	2 252 679	1 501 786	750 893	2 025 159	1 350 106	675 053
Société Générale	(b)	211 863	123 699	88 164	190 464	111 205	79 259
Crédit du Nord	(c)	999 000	999 000	..	898 101	898 101	..
Total		3 463 542	2 624 485	839 057	3 113 724	2 359 412	754 312

The details of the loans subscribed and the balances due at

		Amount subscribed	Amount drawn down at 31 st Dec. 20	Amount due at 31 st Dec. 20	Duration	Interest rate
		€	€	€		
Dexia	(a)	8 700 000	8 700 000	2 703 215	15 years from December 2008	5.70% fixed rate
Société Générale	(b)	850 000	850 000	248 793	12 years from September 2009	5.70% fixed rate
Crédit du Nord	(c)	999 000	999 000	999 000.	6 years from August 2020	0.25% initial rate

21 Provisions

The provisions at the year end and the movements in the year can be analysed as follows:

	2020	2019	2020	2019
	€	€	£	£
At 1st January				
Retirement indemnities – see (a) below	138 046	103 565	117 450	92 642
Zalthabar tenant litigation – see (b) below	187 500	..	159 525	..
	<u>325 546</u>	<u>103 565</u>	<u>276 975</u>	<u>92 642</u>
Additions in the year				
Retirement indemnities	..	34 481	..	29 336
Zalthabar tenant litigation	..	187 500	..	159 525
Reversed in the year				
Retirement indemnities	(4 556)	..	(4 096)	..
Zalthabar tenant litigation	(187 500)	..	(168 562)	..
Exchange difference	..	..	15 691	(4 528)
	<u>..</u>	<u>..</u>	<u>15 691</u>	<u>(4 528)</u>
At 31st December				
Retirement indemnities	133 490	138 046	120 008	117 450
Zalthabar tenant litigation	..	187 500	..	159 525
Total	<u>133 490</u>	<u>325 546</u>	<u>120 008</u>	<u>276 975</u>

Notes:

- The amount provided for retirement indemnities is the total actuarial liability estimated at €237 289 (2019: €240 868) less the market value of the insurance contract entered into with Société Générale to cover the future cost of retirement indemnities which amounts to €103 799 (2019: €102 822).
- The provision for risk against that Zalthabar tenant arose in 2019 because of a dispute on recoverable taxes. In 2020, neither rents nor recoverable expenses nor taxes were paid by Zalthabar and, accordingly, a provision for bad debt was recorded against all sums due and the provision for risk was reversed (see other debtors and prepayments).

22 Investment grants

The investment grants received for the fitting of a smoke extraction system in the hospital building and movements thereon are as follows:

	31 Dec. 2019	Increases	Reductions	31 Dec. 2020
	€	€	€	€
Initial investment grant	482 729	..	42 500	440 229
Additional grant	182 301	..	16 050	166 251
Total in €	665 030	..	58 550	606 480
Total in £	565 808	..	52 636	513 172
Exchange difference	..	..	..	32 054
Total in £	565 808	..	52 636	545 226

In 2011, the Corporation recorded the commitment received from the Oeuvre du Perpétuel Secours ("OPS") to retrocede to it the payments received from the Regional Health Agency of Ile de France for its investment support aimed at financing the upgrading of hospital buildings, such as those appearing in the treaty for the partial contribution of assets from the Corporation to OPS dated 2008. This support amounted at the time to €850 000 and this sum was expected to cover all of the work.

In this context, the Corporation recognized in its accounts the hospital smoke extraction work which was completed in 2011 for a total cost of € 1,171,000 and accounted for two investment grants: one for the financial debt that it contracted to finance the works (i.e. € 850,000) and a second for the investment which exceeded the initial budget covered by the financing described above, i.e. € 321,000 that OPS has committed to repay in full over 10 years (see note 3.2)

Investment grants are amortized over the depreciation period for the work, ie 20 years.

23 Unrestricted funds

	2020 €	2019 €	2020 £	2019 £
Revaluation reserve				
1967 revaluation of land at rue Barbès	198 184	198 184	178 167	168 615
1974 revaluation of other fixed assets	472 195	472 195	424 503	401 744
	<u>670 379</u>	<u>670 379</u>	<u>602 670</u>	<u>570 359</u>
Unrealised gain on investment properties				
Revaluation reserve	29 232 389	30 614 136	26 279 918	26 046 507
Total revaluation reserve	<u>29 902 768</u>	<u>31 284 515</u>	<u>26 882 588</u>	<u>26 616 866</u>
Special reserves				
Investment reserve	173 130	338 632	155 644	288 108
Treasury reserve	549 156	549 156	493 691	467 222
Total special reserves	<u>722 286</u>	<u>887 788</u>	<u>649 335</u>	<u>755 330</u>
Other reserves				
Reserve for refurbishment of assets	1 000 000	1 000 000	899 000	850 800
1982 grant received from the "Service de la coordination de l'Action Economique du département des Hauts de Seine »	1 102 352	1 102 352	991 014	937 881
Various other funds	1 310 983	1 310 983	1 178 574	1 115 384
Total other reserves	<u>3 413 335</u>	<u>3 413 335</u>	<u>3 068 588</u>	<u>2 904 065</u>
General funds	<u>20 773 016</u>	<u>17 496 026</u>	<u>18 674 942</u>	<u>15 268 479</u>
Total other reserves	<u>24 186 351</u>	<u>21 359 361</u>	<u>21 743 530</u>	<u>18 172 544</u>
Total unrestricted funds	<u>54 811 405</u>	<u>53 531 664</u>	<u>49 275 453</u>	<u>45 544 740</u>

As described in note 15.1, the rue Barbès property was independently valued at 31st December 2020 and this gave rise to a €500 000 (£ 449 500) increase in the revaluation reserve.

The other funds shown above include various donations received over the years. The Directors have qualified these funds as non-designated or general funds on the basis of available data and because, to the best of the knowledge of those involved in preparing the financial information, there is no contradictory information that would lead to this qualification being questioned. This is consistent with the way in which such funds were previously reported.

In the year to 31st December 2020, reclassifications were made in the reserves to align them to the extent possible and relevant with the French accounts. The movement in reserves for the year is thus explained as follows (in Euros):

	Revaluation	Special	Other
As at 1st January 2020	31 284 515	887 788	21 359 361
Reclassification	(1 381 747)	(165 502)	1 547 249
Net increase in funds for the year	..	..	1 279 741
As at 31st December 2020	<u>29 902 768</u>	<u>722 286</u>	<u>24 186 351</u>

24 Reconciliation to French financial reporting

Given its status in France and French law, the books and records of the Corporation are maintained under French accounting standards using the French chart of accounts and restated for the purposes of this financial reporting.

The net result reported for the year ended 31st December and its reconciliation to the net movement in funds after taxation as reported herein can be reconciled as follows:

	2020	2019
	€	€
Net profit for the year per French accounts	110 646	546 099
Reconciling items		
Revaluation of investment assets	500 000	1 200 000
Difference in depreciation charge	669 095	676 576
Net movement in funds after taxation	1 279 741	2 422 675

The reconciliation of net equity per the French accounts and the total unrestricted funds is as follows:

	2020	2019
	€	€
Net equity per French accounts	9 155 865	9 045 219
Reconciling items		
Revaluation of assets	17 212 128	17 212 128
Unrealised gain on investment properties	13 902 008	13 402 008
Cumulative difference in depreciation charge	14 541 394	13 872 298
Other	10	11
Total unrestricted funds	54 811 405	53 531 664

25 Off balance sheet commitments

25.1 Other reserves

The grant of €1 102 352 received in 1982 from the Service for the Coordination of Economic Action of the Department of Hauts-de-Seine is definitively acquired over a period of 40 years. In the event that the Corporation should leave the French social security system, a pro-rata temporis reimbursement will apply. As of 31st December 2020, this potential reimbursement, based on 2 remaining years, would be €55 118.

25.2 Retirement indemnities due to the Institut Hospitalier Franco-Britannique (« IHFB »)

Pursuant to the treaty for the contribution of its hospital activity to the IHFB, the Corporation remained liable for certain retirement indemnities on the basis of the amounts defined in 2007. In accordance with the contribution agreement, the balance of commitments, i.e. €172 000 was paid in September 2020. This amount was recorded in liabilities at 31st December 2019 and the payment made in 2020 therefore has no impact on the net movement of funds for the year.

25.3 Other commitments

The Corporation has granted Dexia Crédit Local a first rank mortgage on the building located at 12 rue Barbès in Levallois-Perret as a guarantee for the repayment of any amount due in principal for the loan granted by Dexia Crédit Local on 23rd August 2007 for the financing of the renovations and rehabilitation of buildings located in Levallois-Perret at 48 rue de Villiers (the Château), at 2 rue Voltaire and 1 rue Barbès (together, Wallace Gardens). The initial loan amount was €8 700 000. As of 31st December 2020, the outstanding capital amounts to €2 252 679.

The Corporation has also granted to Dexia Crédit Local a charge over the rental stream rents received for the Wallace Gardens buildings as security for this same loan.