REGISTERED NUMBER: 02482660 (England and Wales)

Strategic Report, Directors' Report and

Audited Financial Statements for the Year Ended 30 September 2019

for

Care UK Pharmacy Services Limited

Contents of the Financial Statements
for the Year Ended 30 September 2019

Company Information
for the Year Ended 30 September 2019

Directors:	J D Calow J W Easton D G Stickland
Registered office:	Hawker House 5-6 Napier Court Napier Road Reading Berkshire RG1 8BW
Registered number:	02482660 (England and Wales)
Senior statutory auditor:	Ian Brokenshire
Independent auditors:	KPMG LLP Chartered Accountants Registered Auditors Regus, 4th Floor Salt Quay House 6 North East Quay Plymouth PL4 0HP

Strategic Report
for the Year Ended 30 September 2019

The Directors present their Strategic report, Directors report and financial statements for the year ended 30 September 2019.

Review of business
Key performance indicators used to manage the performance of the Company are turnover, gross profit and operating profit:

	2019	2018	Change %
Turnover (£'000)	**6,828**	7,260	(6.0)
Gross profit (£'000)	**644**	774	(16.8)
Gross profit %	**9.4**	10.7	(1.3)
Operating profit (£'000)	**491**	670	(26.7)
Operating profit %	**7.2**	9.2	(2.0)

Revenue and costs both fell slightly in 2019 as there has been less volatility in drug prices which caused revenue to be high in 2018. Allocated overhead costs were higher in 2019 which has impacted on Operating profit. The number of operating contracts has remained stable throughout the year at 13 with no expectation of this reducing in 2020.

Strategic Report
for the Year Ended 30 September 2019

Principal risks and uncertainties
Care UK faces potential risks associated with the exit by the UK from its membership of the European Union, and the potential uncertainty around the transitional arrangements.The UK exiting the European Union could materially change both the fiscal and legal framework in which Care UK operates, and it could have a material impact on the UK's economy and its future economic growth. In addition, prolonged uncertainty regarding aspects of the UK economy due to the uncertainty around the proposed exit could damage customers' and investors' confidence. These aspects could have a material adverse effect on Care UK's business, results of operations, financial condition and growth prospects.

The Company is exposed to general and industry specific wage inflation pressures, including legislative changes concerning the minimum wage, national living wage and apprenticeship levy.

The Company is also exposed to commodity price increases. During the last financial year the impact of Brexit on sterling has resulted in a number of price increases for the medical consumables and pharmacy items utilised in the provision of our services. However, fortunately the savings from the procurement programme more than offset these cost pressures.

Appropriate trade terms are negotiated with suppliers. Management reviews these terms and the relationships with suppliers to manage any exposure on normal trade terms.

The Company prepares regular forecasts of cash flow and liquidity and any requirement for additional funding is managed as part of the overall Care UK financing arrangements. The company has access to debt finance through its parent company.

The Company's principal financial asset is accrued income. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has a significant concentration of credit risk with exposure concentrated in public sector bodies, with the UK Government the ultimate payer.

Payment of suppliers
The Company does not follow a specific code or statement on payment practice. However, it is the company's policy to pay its suppliers in accordance with the payment terms agreed at the outset of the relationship providing the supplier adheres to its obligations. The significant expenses incurred by the company relate to staff costs and drug supplies.

Strategic Report
for the Year Ended 30 September 2019

Employment policies

Care UK Pharmacy Services Limited is an equal opportunities employer and we welcome applications from every sector of the community. It is our policy that people with disabilities should have full and fair consideration for all vacancies, and where necessary we will make reasonable adjustments to ensure that this happens. During the year, the Company continued to demonstrate our commitment to interviewing those people with disabilities who fulfil the minimum criteria, and endeavouring to retain employees in the workforce if they become disabled during employment.

We depend on the skills and commitment of our employees to maintain a successful and vibrant organisation. Our training meets not only statutory and mandatory standards, but we also ensure that we cover our customer service objectives and our values programme fulfilling lives.

The Company's selection, training, development and promotion policies ensure equal opportunities for all employees regardless of factors such as gender, marital status, race, age, sexual preference and orientation or ethnic origin. All decisions are based on merit and we believe that to be truly successful we must reflect the diversity of the communities that we serve. Internal communications are designed to ensure that employees are well informed about the business of the company, and we undertake an annual employee survey to understand the opinions of all our people.

Strategic Report
for the Year Ended 30 September 2019

Covid-19
Since the year end, COVID-19 become a global pandemic which is causing a significant impact across a number of different industries and sectors, particularly the healthcare sector. Given the nature of the Company's current operations and activities, COVID-19 has not had a significant impact on operations. However the Company is reliant on Group support either in the form of cash flows from its subsidiaries or formalised support for the going concern basis. Therefore COVID-19 does have an indirect impact on this company. The most significant financial impact has been the cessation of our elective procedures with effect from the end of March, with new contracts entered into with the NHS England providing them with full access to our bed capacity on a cost plus pricing formula. In addition, there has been an impact on the health and wellbeing of our staff, the requirement to purchase additional personal protective equipment ("PPE") and the change in working practices required through the lockdown phase.

In order to support the going concern basis of preparation of these financial statements, the Group has calculated a range of potential scenarios which consider the financial impact of COVID-19. This includes consideration of any cost drivers such as PPE purchases, agency usage, change in working practices, and an assessment of impact on revenue. The principal uncertainty relate to the timeframe when the Group will be in a position to re-commence elective procedures in our Hospitals, and the speed at which our pipeline of patients will return to pre COVID-19 levels when lockdown ends. The Group acknowledges there is a significant amount of uncertainty in the preparation of these financial estimates, however even the most pessimistic of forecasts predict that the Group will have sufficient liquidity and resources available to continue over the next 12 months. This factors in the agreed extension of the £10m RCF facility by an additional £10m, and the waiving of existing financial covenants which have been replaced by a minimum liquidity test to September 2021.

Taking all available information into account, with the acknowledgement that there is a large amount of uncertainty, the Directors believe that it remains appropriate to prepare the financial statement on a going concern basis. For further information, please see note 2 in the Accounting Policies section of these financial statements.

On behalf of the board:

J W Easton - Director

24 June 2020

Directors' Report
for the Year Ended 30 September 2019

The Directors present their Strategic report, Directors' report and financial statements for the year ended 30 September 2019.

Principal activity
The principal activity of the Company in the year under review was that of the provision of pharmacy services in the healthcare sector.

Dividends
No dividends will be distributed for the year ended 30 September 2019 (2018: £nil).

Future developments
All customer contracts are with other Care UK group companies and would be renewed when the associated external prison contract are renewed. These expect to come up for renewal between 2020 and 2023. As such, the Directors consider the future outlook to be satisfactory.

Events since the end of the year
Information relating to events since the end of the year is given in the notes to the financial statements.

Directors
The directors shown below have held office during the whole of the period from 1 October 2018 to the date of this report.

J D Calow
J W Easton

Other changes in directors holding office are as follows:

D G Stickland was appointed as a director after 30 September 2019 but prior to the date of this report.

A J M Prosser , M R Parish and P J Whitecross ceased to be directors after 30 September 2019 but prior to the date of this report.

Political and charitable donations
The Company made £nil political donations during the year (2018: £nil), and £nil charitable donations during the year (2018: £nil).

Disclosure in the strategic report
The review of business is stated in the Strategic report.

Statement as to disclosure of information to auditors
So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' Report
for the Year Ended 30 September 2019

Auditors
Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board:

J W Easton - Director

24 June 2020

Statement of Directors' Responsibilities for the Year Ended 30 September 2019

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.
Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Report of the Independent Auditors to the Members of Care UK Pharmacy Services Limited

Opinion

We have audited the financial statements of Care UK Pharmacy Services Limited ("the Company") for the year ended 30 September 2019 which comprise, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Report of the Independent Auditors to the Members of Care UK Pharmacy Services Limited

Strategic report and Directors' report

The Directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors'report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic report.

We have nothing to report in these respects.

Responsibilities of Directors

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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/auditorresponsibilities. This description forms part of our Report of the Auditors.

Report of the Independent Auditors to the Members of
Care UK Pharmacy Services Limited

The purpose of our audit work and to whom we owe our responsibilities

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

Ian Brokenshire (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
Registered Auditors
Regus, 4th Floor
Salt Quay House
6 North East Quay
Plymouth
PL4 0HP

25 June 2020

Statement of Comprehensive Income
for the Year Ended 30 September 2019

	Notes	2019 £'000	2018 £'000
Turnover		**6,828**	7,260
Cost of sales		**(6,184)**	(6,486)
Gross profit		**644**	774
Administrative expenses		**(153)**	(104)
Operating profit	5	**491**	670
Interest payable and similar expenses	6	**(55)**	(150)
Profit before taxation		**436**	520
Tax on profit	7	**34**	(56)
Profit for the financial year		**470**	464
Other comprehensive income		**-**	-
Total comprehensive income for the year		**470**	464

The notes form part of these financial statements

Balance Sheet
30 September 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	8	**1**	-
Current assets			
Stocks	9	**373**	277
Debtors	10	**677**	907
Cash at bank		**50**	-
		1,100	1,184
Creditors			
Amounts falling due within one year	11	**(1,799)**	(2,352)
Net current liabilities		**(699)**	(1,168)
Total assets less current liabilities		**(698)**	(1,168)
Capital and reserves			
Called up share capital	12	**-**	-
Profit and Loss account	13	**(698)**	(1,168)
Shareholders' funds		**(698)**	(1,168)

The financial statements were approved by the Board of Directors on 24 June 2020 and were signed on its behalf by:

J W Easton - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the Year Ended 30 September 2019

	Called up share capital £'000	Profit and Loss account £'000	Total equity £'000
Balance at 1 October 2017	-	(1,632)	(1,632)
Changes in equity			
Total comprehensive income	-	464	464
Balance at 30 September 2018	-	(1,168)	(1,168)
Changes in equity			
Total comprehensive income	-	470	470
Balance at 30 September 2019	-	(698)	(698)

The notes form part of these financial statements

Notes to the Financial Statements
for the Year Ended 30 September 2019

1. Statutory information

Care UK Pharmacy Services Limited is a private company, limited by shares , registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. Accounting policies

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Notwithstanding net current liabilities of £699k as at 30 September 2019, a profit for the year then ended of £470k, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of (at least 12) months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through access to the revolving credit facility and in downside cases funding from its ultimate company, Care UK Health Care Topco Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Care UK Health Care Topco Limited providing additional financial support during that period. Care UK Health Care Topco Limited has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Directors of the Company have reviewed Care UK Health Care Topco Limited's cash flow forecasts prepared for the period up to 30 June 2021 which have taken into account a severe but plausible downside scenario as a result of COVID-19. Key assumptions used in this scenario were:
· In specific service lines, a return to pre-COVID 19 revenue levels may not occur until mid-2021 ;
· In specific service lines, cash out-flows due to COVID 19 related government contract true-up reviews;
· Potential mitigating actions such as a reduction in expenses or uncommitted capital expenditure
Furthermore, the Directors of the Company have reviewed the Group's most recent trading performance for the period ending 31 May 2020 and have noted that specific service lines continued to perform at pre-COVID 19 revenue levels.

Notes to the Financial Statements - continued
for the Year Ended 30 September 2019

Based on the above, the Directors of the Company are confident that the Group will continue to be able to meet its liabilities as well as have the ability to provide additional financial support to the Company during the forecast period.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

Financial Reporting Standard 102 - reduced disclosure exemptions
The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Significant judgements and estimates
The preparation of the Financial Statements in conformity with FRS 102 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the year then ended. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

Estimates are used in accounting for allowances for uncollectible receivables, depreciation, amortisation and impairment, pensions, taxes, provisions, and contingencies. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the Financial Statements in the year that an adjustment is determined to be required.

Management regularly discusses with the Group Audit Committee the development, selection and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates.

Turnover
All turnover is derived from the rendering of dispensing services to group companies in the UK at arm's length. Pricing is in line with industry rates for the provision of pharmacy dispensing services. It is calculated based on dispensing activity during the month (cost of products plus a mark up to account for dispensing costs in line with industry averages). Invoices are raised in the month to which they relate.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.
Fixtures and fittings - 33% on cost

2. Accounting policies - continued

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Impairment excluding stocks and deferred tax assets
Financial assets (including trade and other debtors)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes to the Financial Statements - continued
for the Year Ended 30 September 2019

2. **Accounting policies - continued**

Non-financial assets
The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements - continued
for the Year Ended 30 September 2019

2. Accounting policies - continued

Financial guarantee
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Classification of financial instruments issued by the Company
In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Basic financial instruments

Trade and other debtors / creditors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

3. Employees and directors

The average number of persons employed by the company (including directors), during the year were nil (2018: nil) and staff costs were £nil (2018: £nil).

Notes to the Financial Statements - continued
for the Year Ended 30 September 2019

4. Directors' emoluments

The Directors received £nil emoluments during the financial year ended 30 September 2019 for their services to the Company (2018: £nil).

The emoluments of A Prosser and J Easton for services to the Healthcare division are paid by and disclosed within the accounts of Care UK Healthcare Holdings Ltd.

The emoluments of M Parish and P Whitecross for services to the Group are paid by Care UK Ltd and disclosed within the accounts of Care UK Health and Social Care Investments Ltd.

No Directors are members of pension scheme to which the Company makes contributions.

5. Operating profit

The operating profit is stated after charging:

	2019 £'000	2018 £'000
Other operating leases	**2**	18
Auditor's remuneration	**5**	4

6. Interest payable and similar expenses

	2019 £'000	2018 £'000
Group interest payable	**55**	150

7. Taxation

Analysis of the tax (credit)/charge
The tax (credit)/charge on the profit for the year was as follows:

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax	**11**	56
Corporation tax - prior year	**(45)**	-
Tax on profit	**(34)**	56

Notes to the Financial Statements - continued
for the Year Ended 30 September 2019

7. Taxation - continued

Reconciliation of total tax (credit)/charge included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £'000	2018 £'000
Profit before tax	**436**	520
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	**83**	99
Effects of:		
Adjustments to tax charge in respect of previous periods	**(45)**	-
Group relief claimed	**(72)**	(43)
Total tax (credit)/charge	**(34)**	56

Factors that may affect future tax charges
Reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was fully enacted on 15 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 September 2019 has been calculated based on these rates fully enacted at the year-end date.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

8. Tangible fixed assets

	Fixtures and fittings £'000
Cost	
Additions	**1**
At 30 September 2019	**1**
Net book value	
At 30 September 2019	**1**

9. Stocks

The stock value consists of medical consumables.

Notes to the Financial Statements - continued
for the Year Ended 30 September 2019

10. Debtors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade debtors	**24**	-
Other debtors	**5**	32
VAT	**183**	190
Prepayments	**5**	10
Accrued income	**460**	675
	677	907

11. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	**385**	388
Amounts owed to group undertakings	**1,117**	1,790
Corporation Tax	**11**	56
Accruals	**286**	118
	1,799	2,352

The amounts owed to group undertakings bear interest at the annual fixed rate of 7.5%, charged monthly on the previous quarter end balance. The loan is unsecured. The amounts advanced are repayable in full by 30 September 2020. The Company may, at its discretion, make repayments on account of the principal amounts outstanding.

12. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £	2018 £
2	Ordinary Shares	1	**2**	2

13. Reserves

	Profit and Loss account £'000
At 1 October 2018	**(1,168)**
Profit for the year	**470**
At 30 September 2019	**(698)**

14. Contingent liabilities

The Company has a number of cross guarantees between group companies relating to debtor balances. In addition, the Company has provided parent company guarantees over the lease obligations and delivery of certain healthcare services by certain subsidiary companies. These guarantees cover the period of the contractual obligations. The Directors consider that the likelihood of these guarantees being called upon is remote.

In addition the Company is a guarantor to the funding arrangements disclosed in the Financial Statements of Care UK Health & Social Care Investments Limited - please refer to those Financial Statements for full details; a brief summary of which is given below.

Facility B Term Loan

On 25th January 2019, the Group successfully completed the refinancing of its 2014 Loan Notes and 2014 Senior Secured Notes Interest through a £250m utilisation under a new Facility B Term Loan which was put in place on the same date. The margin payable on any loan utilisation is in the range of 5.0% to 5.5% above LIBOR depending on the total net leverage of the Group which is paid in arrears based on agreed utilisation period. At 30 September 2019, the £250m loan had been issued under a 3 month utilisation period. The termination date of Facility B is 25th July 2024.

15. Post balance sheet events

On 25th October 2019, the Group sold its shares in Care UK Healthcare Holdings Limited to a new company Care UK Healthcare Bidco Ltd, whose equity ownership sits outside the Group but continues to be managed by Bridgepoint. On this date, as part of the ongoing financing and capital arrangements of the Group, Care UK Healthcare Bidco Ltd has entered into an agreement for a new revolving credit facility of £10m.

16. Ultimate controlling party

The controlling party is Care UK Health & Rehabilitation Services Limited.

The ultimate controlling party is Bridgepoint Europe IV (Nominees)Limited.

Bridgepoint Europe IV (Nominees) Limited holds 78.2% of the issued ordinary share capital that carries voting rights of Care UK Health & Social Care Holdings Limited as nominee for Bridgepoint Europe IV "A" LP, Bridgepoint Europe IV "B" LP, Bridgepoint Europe IV "C" LP, Bridgepoint Europe IV "D" LP, Bridgepoint Europe IV "E" LP, Bridgepoint Europe IV "F" LP and Bridgepoint Europe IV "G" LP (together the "BEIV Fund"). The BEIV Fund is managed by Bridgepoint.

Copies of the Financial Statements of Care UK Health & Social Care Holdings Limited, the largest group consolidated Financial Statements which include the results of this company, are available from its registered office at:

Connaught House
850 The Crescent
Colchester Business Park
Colchester
Essex
CO4 9QB

From 25 October 2019, BEP IV (Nominees) Limited has held 99.86% of the issued ordinary share capital of Care UK Health Care Topco Limited as nominee for the Bridgepoint Europe Portfolio IV LP fund. Bridgepoint Advisers Limited acts as fund manager for and on behalf of Bridgepoint Europe Portfolio IV LP fund.