
CHS HEALTHCARE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020



CHS HEALTHCARE LIMITED

CONTENTS

	Page
Company Information	1
Directors' Report	2 - 6
Directors' Responsibilities Statement	7
Independent Auditors' Report	8 - 10
Statement of Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13 - 14
Notes to the Financial Statements	15 - 23

CHS HEALTHCARE LIMITED

COMPANY INFORMATION

Directors	M R Parish (resigned 31 October 2019) R Pearman A Knight M Rosenberg P Whitecross (resigned 31 October 2019)
Company secretary	J D Calow
Registered number	02797701
Registered office	Connaught House 850 The Crescent Colchester Business Park Colchester Essex CO4 9QB
Independent auditors	KPMG LLP Botanic House 100 Hills Road Cambridge CB2 1AR
Bankers	HSBC Bank Plc Midland House 26 North Station Road Colchester Essex CO1 1SY

CHS HEALTHCARE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2020

The directors present their report and the financial statements for the year ended 30 September 2020.

CHS Healthcare Limited ("the Company") is a subsidiary of Care UK Holdings Limited ("Care UK" or "the Group"), the ultimate controlling parent company.

Care UK's ongoing strategy is to help older people live happier, healthier and more fulfilling lives. We aim to achieve this by developing our existing care homes. Modern and well-maintained facilities are important to good quality care and the Group will continue to update existing care homes. Whether our customers are publicly or privately funded, the Group will not compromise on meeting individual needs and currently achieved leading quality ratings from UK regulators amongst other similar large providers.

Principal activity

The company is a holding company for a group providing the operation of nursing and residential care homes for the elderly.

Business review

The company acted as a holding company in the year.

Results and dividends

The profit for the year, after taxation, amounted to £173,000 (2019 - £159,000).

No interim dividend (2019: £nil) was paid in the year. No final ordinary dividend (2019: £nil) was paid in respect of the current year.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Directors

The directors who served during the year were:

M R Parish (resigned 31 October 2019)
R Pearman
A Knight
M Rosenberg
P Whitecross (resigned 31 October 2019)

Political and charitable donations

The company made no political or charitable donations during the year (2019: £nil).

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Principal risks and uncertainties

The board of directors have the overall responsibility for Care UK's approach to assessing risk and the senior management teams are responsible for managing risk and maintaining appropriate control environments.

The principal risks faced by Care UK are set out below:

Covid-19

During the financial year ending 30 September 2020, the world has been fighting the Covid-19 virus pandemic. As reported extensively in the media, the care sector together with the NHS has been at the forefront of this, and the impact has been significant.

As at the date of signing the accounts, the UK has emerged from the 3rd national lockdown, and the rollout of a vaccination programme is well progressed, however precautionary measures and restrictions remain in place.

The Board and Management have taken steps to steer their way through this crisis, however the impact on the company has been considerable. There has been a deduction in occupancy rates and an increase in operating costs including the purchase of Personal Protective Equipment (PPE), introducing additional infection control measures, implementing testing and vaccination programmes, and facilitating visitation of relatives.

Key metrics have been, and continue to be, monitored closely by the Board and Management, such as: home level outbreaks, test results and vaccination coverage; occupancy, staffing levels and Covid-19 related sickness; supply of PPE and mobilisation of infection control measures. Management have worked alongside key suppliers, in particular of PPE, visitation and infection control equipment, agency workers, food and medicines, in order to mitigate any shortage in supply. They have also been working with local authorities, CCGs, NHS, relatives, and residents to provide reassurance and the best possible care for our residents, despite these difficult circumstances.

Government support to the sector has been important throughout this pandemic. Covid-19 support funding streams have been provided direct by local authorities, as well as nationally led funding in the form of the Coronavirus Job Retention Scheme ('Furlough'), the Infection Control Fund (ICF).

The impact of the virus has had a significant impact on the Group's profitability and cashflow. The Group obtained support in the form of a bank financial covenant waiver for its leverage covenant until September 2021, and a liquidity injection of up to £15m from the bank in the form of PIK interest on the term loan, matched by a further £15m internal transfer from cash reserves of Care UK Property Holdings Limited, a subsidiary of Care UK.

Due to the inherent unpredictable nature of the crisis the Directors cannot readily determine the medium to long term impact of the crisis upon the Group, including:

- (i) the extent of NHS / Local Authority and self pay demand for vacant beds, and the associated speed of admissions recovery;
- (ii) the degree of continued financial support from the Government, as the care sector emerges from Covid-19 operating restrictions;
- (iii) the impact of ongoing Covid-19 related precautionary measures and restrictions, on rates of admission and the operations (and associated costs) of the business in the medium to long term; and
- (iv) the impact of new Covid-19 virus variants and mutations on the efficacy of the current vaccines, and associated speed of scientific response to develop new versions and mobilisation of vaccination programmes to control the rate of spread.

CHS HEALTHCARE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

Based on the above bank support, the Directors believe that it remains appropriate to prepare the financial statement on a going concern basis. Nevertheless, the Directors consider the downside risks of COVID-19 on the group's occupancy levels and cashflows to represent a material uncertainty that may cast doubt on the Group and Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Competition and Markets Authority ("CMA")

In February 2019, the CMA issued a claim against Care UK under the Enterprise Act 2002. The claim relates to past conduct when Care UK used to charge a one-off upfront admission fee. Care UK stopped charging this fee in August 2018. Care UK has taken advice from specialist legal counsel and believes that it is in a strong position to defend the claim and accordingly no provision has been made for redress in the statutory accounts.

Market risks

The Group relies on providing services to publicly funded entities in the United Kingdom such as Local Authorities and the NHS, typically through Clinical Commissioning Groups, for a proportion of its revenue and any material reduction in the revenue earned from such services could adversely impact the Group's business, results of operations and financial condition.

A proportion of revenue is derived from contracts with these bodies, and if the Group is unable to renew them or replace them with comparable contracts, it could suffer a substantial reduction in revenues.

These risks are mitigated by a diversified by contract income stream, sector leading quality and strong relationship management.

The Group's strategy is partly based on growth derived from increased levels of consumer demand for certain of its services or the increased influence of consumers in the choice of the provider of care to them and, as a result, its future growth is dependent on maintaining the quality of its services, consumer perception of that quality and on its ability to market these services effectively.

This risk is mitigated by sector leading quality, investment in marketing and close attention to consumer needs and expectations.

Inflation risks

The Group earns revenue from long term contracts and, as a result, a failure accurately to predict and account for future cost increases or to overestimate its ability to efficiently deliver the services that it contracts to provide could affect its profitability.

Future changes in the rate of the National Living Wage ("NLW") will have a significant impact on labour costs for the social care sector and level of recovery through fee increases is uncertain. Failure to recover such costs would have a negative impact on margin.

This risk is mitigated by careful cost control.

Regulatory risks

The Group operates in a highly regulated business environment and failure to comply with regulations could lead to substantial penalties, including embargo of new resident admissions through to the loss of the registration certificates necessary to continue to trade.

The Group operates stringent quality policies and procedures, together with rigorous internal governance audit and oversight to ensure the safety of our residents.

CHS HEALTHCARE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

Liquidity risk

The Group has access to a Revolving Credit Facility (RCF) for managing working capital requirements. In addition to this, the Group is funded by a Facility term loan (Facility B Term loan). Covenants apply to these funding arrangements which limit operating and financial flexibility if the Group defaults under these covenants.

The financing and debt arrangements are subject to an element of variable interest rates and any increases in interest rates in the future could significantly increase costs and reduce cash flow.

There is also a risk, due to macroeconomic factors, that long-term financing, including for the development of new facilities or modifications of existing facilities, may not be available on acceptable terms in the future.

The Group's activities and debt financing expose it to a variety of financial risks, the most significant of which are cash flow interest rate risk, price risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse impacts on its financial performance.

Strong working relationships are maintained with our banking partners, to facility the regular provision of compliance reporting, and oversight of key issues impacting the business. In addition, prudent liquidity management policies are applied that include the preparation of regular detailed cash flow forecasts to monitor liquidity and compliance with the covenants.

Credit risk

A large proportion of the Group's revenue is derived from privately funded customers, and as a result there is potential exposure to credit risk.

The risk of an extended recessionary period and weak macro economic conditions generally may have an adverse effect on personal disposable income and/or the values of assets available to pay for care fees.

The risk is not considered material, and adequate provisions are made in the financial statements.

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

CHS HEALTHCARE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Auditors

The auditors, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 28 June 2021 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'M Rosenberg', with a stylized flourish at the end.

M Rosenberg
Director

CHS HEALTHCARE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also 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 also safeguard the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHS HEALTHCARE LIMITED

Opinion

We have audited the financial statements of CHS Healthcare limited (the 'Company') for the year ended 30 September 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the 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 2020 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.

Material uncertainty related to going concern

We draw attention to note 2.3 to the financial statements, which indicates the downside risks of COVID-19 on the group's occupancy levels and cashflows and the impact this might have on the group's ability to meet its bank covenants. These events and conditions, along with the other matters explained in note 2.3, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read 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:

In our opinion, based on the work undertaken in the course of the audit:

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHS HEALTHCARE LIMITED (CONTINUED)

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.

Directors' responsibilities

As explained more fully in their statement 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

In preparing the financial statements, the directors' are responsible for 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.

Auditors' responsibilities for the audit of the financial statements

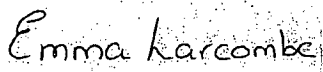
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHS HEALTHCARE LIMITED (CONTINUED)

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.



Emma Larcombe (Senior Statutory Auditor)
for and on behalf of
KPMG LLP, Statutory Auditor

Chartered Accountants
100 Hills Road
Cambridge
CB2 1AR

28 June 2021

CHS HEALTHCARE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Interest receivable and similar income		162	151
Profit before tax		162	151
Tax on profit	6	11	8
Profit for the financial year		173	159
Total comprehensive income for the year		173	159

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 15 to 23 form part of these financial statements.

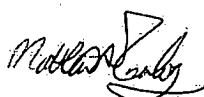
CHS HEALTHCARE LIMITED
REGISTERED NUMBER: 02797701

BALANCE SHEET
AS AT 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Investments	7	1,504	1,504
		<u>1,504</u>	<u>1,504</u>
Current assets			
Debtors: amounts falling due after more than one year	8	2,250	-
Debtors: amounts falling due within one year	8	-	2,088
		<u>2,250</u>	<u>2,088</u>
Creditors: amounts falling due within one year	9	-	(11)
Net current assets		2,250	2,077
Total assets less current liabilities		<u>3,754</u>	<u>3,581</u>
Net assets		<u>3,754</u>	<u>3,581</u>
Capital and reserves			
Called up share capital		232	232
Share premium account		1,350	1,350
Capital redemption reserve		1,180	1,180
Profit and loss account		992	819
		<u>3,754</u>	<u>3,581</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 June 2021.



M Rosenberg
Director

The notes on pages 15 to 23 form part of these financial statements.

CHS HEALTHCARE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 October 2019	232	1,350	1,180	819	3,581
Comprehensive income for the year					
Profit for the year	-	-	-	173	173
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	173	173
Total transactions with owners	-	-	-	-	-
At 30 September 2020	232	1,350	1,180	992	3,754

The notes on pages 15 to 23 form part of these financial statements.

CHS HEALTHCARE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 October 2018	232	1,350	1,180	660	3,422
Comprehensive income for the year					
Profit for the year	-	-	-	159	159
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	159	159
Total transactions with owners	-	-	-	-	-
At 30 September 2019	232	1,350	1,180	819	3,581

The notes on pages 15 to 23 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

1. General information

The company is a wholly owned subsidiary of Care UK Limited, which is registered in England and Wales.

Registered office: Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The disclosure requirements of section 1 'Reduced disclosures for subsidiaries' of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The following principal accounting policies have been applied:

2.2 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 the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

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

This information is included in the consolidated financial statements of Care UK Health and Social Care Holdings Limited as at 30 September 2019 and these financial statements may be obtained from Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.3 Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Director's Report on page 2. The company has access to funds provided by Care UK Limited, a parent company.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons:

At 30 September 2020 the Group was financed by £73.1m of cash, £201.5m of term loan, £47.7m of Property development facility financing, £20.0m of revolving credit facility, £57.0m of loan notes with related parties and the group had outstanding preference share liabilities of £248.8m, with additional accrued interest on the loan notes and preference shares of £327.2m.

The impact of the virus has had a significant impact on the Group's profitability and cashflow.

At 31 May 2021, the Group was financed by £61.4m of cash, £205.1m of term loan, £75.0m of Property development facility financing, £57.0m of loan notes with related parties and the Group has outstanding preference share liabilities of £248.8m and additional accrued interest on these of £296.8m.

Covid-19

During the financial year ending 30 September 2020, the world has been fighting the Covid-19 virus pandemic. As reported extensively in the media, the care sector together with the NHS has been at the forefront of this, and the impact has been significant.

As at the date of signing the accounts, the UK has emerged from the 3rd national lockdown, and the rollout of a vaccination programme is well progressed, however precautionary measures and restrictions remain in place.

The Board and Management have taken steps to steer their way through this crisis, however the impact on the group has been considerable. There has been a deduction in occupancy rates and an increase in operating costs including the purchase of Personal Protective Equipment (PPE), introducing additional infection control measures, implementing testing and vaccination programmes, and facilitating visitation of relatives.

Key metrics have been, and continue to be, monitored closely by the Board and Management, such as: home level outbreaks, test results and vaccination coverage; occupancy, staffing levels and Covid-19 related sickness; supply of PPE and mobilisation of infection control measures. Management have worked alongside key suppliers, in particular of PPE, visitation and infection control equipment, agency workers, food and medicines, in order to mitigate any shortage in supply. They have also been working with local authorities, CCGs, NHS, relatives, and residents to provide reassurance and the best possible care for our residents, despite these difficult circumstances.

Government support to the sector has been important throughout this pandemic. Covid-19 support funding streams have been provided direct by local authorities, as well as nationally led funding in the form of the Coronavirus Job Retention Scheme ('Furlough') and the Infection Control Fund (ICF).

The impact of the virus has had a significant impact on the Group's profitability and cashflow. The Group obtained support in the form of a bank financial covenant waiver for its leverage covenant until September 2021, and a liquidity injection of up to £15m from the bank in the form of PIK interest on the term loan, matched by a further £15m internal transfer from cash reserves of Care UK Property Holdings Limited, a subsidiary of Care UK.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.3 Going concern (continued)

Due to the inherent unpredictable nature of the crisis the Directors cannot readily determine the medium to long term impact of the crisis upon the Group, including:

- (i) the extent of NHS / Local Authority and self-pay demand for vacant beds, and the associated speed of admissions recovery;
- (ii) the degree of continued financial support from the Government, as the care sector emerges from Covid-19 operating restrictions;
- (iii) the impact of ongoing Covid-19 related precautionary measures and restrictions, on rates of admission and the operations (and associated costs) of the business in the medium to longterm; and
- (iv) the impact of new Covid-19 virus variants and mutations on the efficacy of the current vaccines, and associated speed of scientific response to develop new versions and mobilisation of vaccination programmes to control the rate of spread.

Based on the above bank support, the Directors believe that it remains appropriate to prepare the financial statement on a going concern basis. Nevertheless, the Directors consider the downside risks of COVID-19 on the group's occupancy levels and cashflows to represent a material uncertainty that may cast doubt on the Group and Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

2.4 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.6 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.8 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

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 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.

4. Auditors' remuneration

Auditors' remuneration of £1,000 (2019: £1,000) was borne by another group undertaking in both financial years.

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

CHS HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

5. Directors' remuneration

The directors received no emoluments during the financial year ended 30 September 2020 for their services to the company (2019: £nil).

The emoluments of R Pearman, A Knight and M Rosenberg for services to the Care UK Ltd Group are paid by and disclosed within the accounts of Care UK Community Partnerships Ltd.

Retirement benefits under money purchase pension schemes are accruing to 2 directors (2019: 2 directors).

6. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	(11)	(8)
Total current tax	<u>(11)</u>	<u>(8)</u>

Factors affecting tax charge for the year

The tax charge for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19.0% (2019 - 19.0%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	<u>162</u>	<u>151</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2019 - 19.0%)	31	29
Effects of:		
Group relief claimed	(31)	(18)
Adjustments to tax charge in respect of prior periods	(11)	(19)
Total tax charge for the year	<u>(11)</u>	<u>(8)</u>

Factors that may affect future tax charges

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge.

CHS HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

7. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 October 2019	1,504
	<hr/>
At 30 September 2020	1,504
	<hr/>
Net book value	
At 30 September 2020	1,504
	<hr/> <hr/>
At 30 September 2019	1,504
	<hr/> <hr/>

CHS HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

8. Debtors

	2020 £000	2019 £000
Due after more than one year		
Amounts owed by group undertakings	2,250	-
	2020 £000	2019 £000
Due within one year		
Amounts owed by group undertakings	-	2,088
	-	2,088

9. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Corporation tax	-	11

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

10. Contingent liabilities

Amounts owed to group undertakings

Amounts owed by group undertakings due after more than one year include an unsecured loan from a parent undertaking, Care UK Limited. The loan is repayable by the borrower in full by 30 September 2022.

Interest is payable on the amount of the advance outstanding at a rate above LIBOR agreed between the parties. For amounts owed to Group undertakings due within one year these are unsecured, repayable on demand and carry no interest charge.

In addition the company is a guarantor to the funding arrangements disclosed in the financial statements of Care UK Investments Limited – please refer to those financial statements for full details; a brief summary of which is given below.

(a) Terms and conditions

This note details the terms and conditions attached to the Facility B Term Loan Revolving Credit Facility and the loan from related party. The terms of the Facility B Term Loan was amended as part of a refinancing exercise on 25th September 2020.

(i) Facility B Term Loan

On 25th October 2019, the group disposed of its Healthcare business and repaid £55.0m of the Facility B Term Loan reducing the loan value to £195m. The facility was refinanced on 25th September 2020 to allow for the waiver the leverage covenant until 30 September 2021, and a liquidity injection of up to £15m from the bank in the form of payment-in-kind (PIK) interest. This incurred a £1.95m fee that was added to the loan value. The margin payable on any loan utilisation had a new upper margin added to give a range of interest of 5.0% to 6.0% above LIBOR depending on the total net leverage of the group which is paid in arrears based on the agreed utilisation period. PIK Interest is subject to a further 1% margin. At 30 September 2020, the Loan value, including refinancing fees and PIK interest, stood at £201.5m. The termination date of Facility B is 25th July 2024.

(ii) Revolving Credit Facility

The Revolving Credit Facility of £37.5m was reduced to £20m following the group's disposal of its Healthcare business on 25th October 2019. The margin payable on any loan utilisation under the RCF is in the range of 2.25% to 3.25% above LIBOR depending on the total net leverage of the group. Each utilisation under the facility is repayable and capable of being redrawn at the end of each interest period. The final repayment date is 25 January 2024.

Competition and Markets Authority

In February 2019 the CMA issued a claim against Care UK under the Enterprise Act 2002. The claim relates to past conduct when Care UK used to charge a one off upfront admission fee. Care UK stopped charging this fee in August 2018. Care UK has taken advice from specialist legal counsel and believes that it is in a strong position to defend the claim and accordingly no provision has been made in the statutory accounts.

CHS HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

11. Controlling party

The company's ultimate parent company and controlling party is Care UK Holdings Limited, which is registered in England and Wales.

The company's immediate parent company is Care UK Community Partnerships Limited, which is registered in England and Wales.

Copies of the financial statements of Care UK Holdings Limited, which include the consolidated results of this company, are available from its registered office at Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB.