

Registration number: 08436114

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2019



Barchester (CB) Limited (formerly brighterkind (CB) Limited)

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Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Company Information

Directors	M Hazlewood P Calveley M O'Reilly
Registered office	The Aspect Finsbury Square London EC2A 1AS
Auditor	KPMG LLP Chartered Accountants Salt Quay House 6 North East Quay Plymouth PL4 0HP

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Strategic Report for the Year Ended 31 December 2019

The Directors present their strategic report for the year ended 31 December 2019.

Principal activity

The Group's principal activity is the operation of care homes for the elderly. The Group operates 1,569 beds across 24 homes and employs approximately 1,900 members of staff.

The Company's principal activity is that of an intermediary holding company.

Fair review of the business

Key factors affecting the results of operations

The Group's operating profit is affected by a number of factors including the number of effective beds, occupancy rates, payer and resident mix, fee rates, payroll and other expenses.

Effective beds: The Group's results are impacted by the number of beds in the care homes, measured as effective beds, as the bed capacity determines the maximum number of residents that the Group can care for. As at 31 December 2019, the Group had 1,569 effective beds (2018: 1,570).

Occupancy rates: The Group's results are also affected by the occupancy rates in its care homes. Occupancy rates are measured as the ratio of the average number of residents to the effective bed count for a particular period.

Payer and resident mix: Results are affected by the payer mix with the privately funded proportion of residents positively affecting the Group's results. Similarly, the changing mix of residents between those classified as "residential" and those classified as "nursing", together with the related levels of dependency, can impact the Group's results.

Fee rates: The fee rates that the Group charges for its services are generally subject to annual adjustments applicable from April except for self-funding residents for whom the increase generally applies from January.

Payroll costs: The Group's most significant operating expense is payroll costs, which represent the staff costs incurred in providing services and running the Group's facilities. Payroll costs can be split into two categories: site-based payroll costs and central and regional support costs. Site-based payroll includes agency costs that are incurred to obtain the service of nurses and care staff on a temporary basis to meet staffing requirements that cannot be satisfied by the Group's permanent workforce.

Key performance indicators ("KPIs")

The Group monitors the performance of its business using the following KPIs:

- Turnover: £64.0m (2018: £64.0m)
- Earnings before interest, tax, depreciation and amortisation (EBITDA) before exceptionals: £15.7m (2018: £17.8m)

In addition, the Group monitors occupancy as its main operational KPI:

- Occupancy: 86.3% (Year ended 31 December 2018: 87.7%)

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Strategic Report for the Year Ended 31 December 2019 (continued)

Principal risks and uncertainties

The Board analyses key risks to the business and monitor exposure to these risks through a series of Key Performance Indicators (KPIs). These KPIs are reviewed to ensure that the Company is achieving its principal objectives of providing the highest quality of care for residents, while at the same time ensuring that the infrastructure is as fully and efficiently utilised as possible to provide appropriate returns to shareholders.

The key risks identified are as follows:

Clinical quality risk

We are committed to the need to provide a consistent level of care. We have invested in a number of key areas to monitor care provision, including a specialist dementia team, clinical development nurses and a more rigorous programme of quality inspections. The business operates sophisticated levels of performance monitoring with regular reporting to senior management and the Board of any potential issues. In addition, a comprehensive programme of service audits is undertaken across all homes with reports and resulting action plans being the subject of comprehensive review. Perhaps most importantly, the Board encourages a culture of reporting any minor concerns from staff, residents and relatives, all of which are appropriately investigated. There is increased awareness of regulatory changes at Board level and regular briefing updates are being used to ensure appropriate knowledge transfer to staff throughout the business.

KPIs used:

regulatory compliance (both internal and external);
various indicators of clinical well-being; and
number of hours for staffing (employed and agency).

Health & Safety

We understand the need to provide a safe environment for our staff, residents, their guests or anyone else on our premises. Everyone in our business has accountability for health and safety, and they are given the necessary tools (including training, safety equipment and resources) to operate safely. Compliance is organised and monitored through a dedicated health and safety team across the business.

KPIs used:

notifiable accident frequency; and
accident statistics.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Strategic Report for the Year Ended 31 December 2019 (continued)

Public spending policy

Continued pressure is being exerted to reduce Government and Local Authority spending, which is manifesting itself increasingly in the reduction of fees being paid for the care of funded residents. To mitigate this, we undertake robust fee negotiations with the public sector and also focus more on the provision of space to privately funded individuals.

KPIs used:
average fee rates; and
occupancy rates and mix.

Employment of staff

Our business thrives on the skills and expertise of the staff we employ. The shortage of appropriate labour is a potential risk to the business, this is particularly acutely felt with the national shortage of qualified nursing staff. In order to mitigate this risk, the business has a proactive Human Resources and Recruitment team.

Continuity of service and care provided to residents is vitally important to the business. In order to ensure high quality care is provided it is necessary for the business to employ well trained staff and to encourage strong staff retention. To ensure staff have appropriate skills, the business provides on-going statutory and mandatory training to all resident facing staff. Development opportunities are identified and promoted throughout the business to continue to develop staff and encourage staff retention.

In addition, the business has procedures in place to ensure continued compliance with UKBA regulations.

KPIs used:
staff turnover;
staff training statistics; and
number of hours for staffing (employed and agency).

Cost base inflation

The principal costs for the successful operation of the business include staff costs, energy and food. All of these areas are subject to on-going cost pressures in advance of inflation. In order to mitigate these areas, we have a well organised procurement process to source energy and food at the best possible rates. We have a well organised operational structure to ensure that labour is employed as effectively as possible.

KPIs used:
EBITDA and EBITDAR per bed;
labour hours per resident per day; and
costs per resident per day.

Occupancy

An inability to maintain and grow occupancy levels of both private and local authority funded residents is a potential risk to the business. In order to mitigate this risk, we have a proactive Sales and Marketing team who work alongside the operational team to monitor and review occupancy levels.

KPIs used:
occupancy rates and mix; and
enquiry conversion rates.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Strategic Report for the Year Ended 31 December 2019 (continued)

Future prospects

The Group was sold to Barchester Finco 2019 Limited, a subsidiary of Grove Limited, on 8 January 2020.

Sadly a second spike in Covid-19 deaths was seen in January 2021, albeit this was significantly smaller than the one seen in April 2020. This reflects the success of the vaccination programme, the regular testing programme and investment in specialist visiting facilities deployed in all homes and hospitals before Christmas 2020. Virtually all residents have been vaccinated and we implemented a mandatory vaccination policy for all staff who enter homes or hospitals as part of their work for the organisation.

We have seen a significant reduction in Covid-19 infections amongst residents, patients and staff, and life in our services seems to be returning to a more business as usual feel. Restrictions on visitors are mandated by Government, but all visitors are tested on arrival or required to provide proof of a negative Covid-19 test before entering the home.

Encouragingly, we are seeing a significant improvement in enquiries for places in the care homes and hospitals, which during May 2021 were at "normal" levels compared to pre-pandemic years. This has also seen occupancy levels increasing steadily and in a way which encourages us to believe that our base cash forecasts are achievable.

The Grove Group has traded strongly throughout 2020, and has been robust in the face of the biggest challenge ever faced by the care sector. As at the balance sheet date, it has a strong balance sheet and significant cash reserves.

Whilst we look forward to a more "normal" future, we remain vigilant with regard to Covid-19 and will maintain our testing and reporting as an early warning of any future outbreaks.

Approved by the Board on 18 June 2021 and signed on its behalf by:



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M Hazlewood
Director

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Directors' Report for the Year Ended 31 December 2019

The Directors present their report and the for the year ended 31 December 2019.

Directors of the Group

The Directors who held office during the year were as follows:

S M Julius (resigned 8 January 2020)

R S Macaskill (resigned 8 January 2020)

G L Newman (resigned 8 January 2020)

J R A Richardson (resigned 8 January 2020)

M C Royston (resigned 8 January 2020)

P G Thomas (resigned 8 January 2020)

J King (resigned 8 January 2020)

The following Directors were appointed after the year end:

M Hazlewood (appointed 8 January 2020)

P Calvey (appointed 8 January 2020)

M O'Reilly (appointed 8 January 2020)

Going concern

The Directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in operation for the foreseeable future. The Directors therefore believe that it is appropriate to prepare the financial statements on a going concern basis. Further details are in note 2 to the financial statements.

Dividends

A dividend of £2m was paid in the year (2018: £nil).

Political donations

During the year the Group made no political donations.

Employment of disabled persons

It is Group policy to give fair consideration to the employment needs of disabled people and to comply with current legislation with regard to their employment. Wherever practicable, the Group continues to employ and promote the careers of existing employees who become disabled and to consider disabled persons for employment, subsequent training, career development and promotion on the basis of their aptitudes and abilities.

Employee involvement

The Directors recognise the importance of human resources. Practices to provide good communications and relations with employees include providing them with information on matters of concern to them as employees. Employees or their representatives are consulted on a regular basis so that their views can be taken into account in making decisions which are likely to affect their interests.

Important non adjusting events after the financial period

On 8 January 2020, the entire share capital of Barchester (CB) Limited was purchased by Barchester Finco 2019 Limited, a subsidiary of Grove Limited.

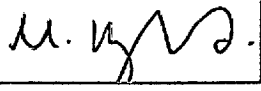
Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Directors' Report for the Year Ended 31 December 2019 (continued)

Approved by the Board on 18 June 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M. Hazlewood', is written over a solid horizontal line. Below this line is a dotted horizontal line.

M Hazlewood
Director

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Statement of Directors' Responsibilities

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 the Directors have elected to prepare the Group and Parent Company 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 Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements 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; and
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent 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 Group and the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent 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 Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Independent Auditor's Report to the Members of Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Opinion

We have audited the financial statements of Barchester (CB) Limited (formerly brighterkind (CB) Limited) (the 'Company') for the year ended 31 December 2019, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows 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 Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's 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 group 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 group or the company or to cease their operations, and as they have concluded that the group and 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 their 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 group's business model, including the impact of Brexit, and analysed how those risks might affect the group and 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 group or the company will continue in operation.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Independent Auditor's Report to the Members of Barchester (CB) Limited (formerly brighterkind (CB) Limited) (continued)

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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, 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 group and parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Independent Auditor's Report to the Members of Barchester (CB) Limited (formerly brighterkind (CB) 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.

Ian Brokenshire

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Ian Brokenshire
For and on behalf of KPMG LLP
Chartered Accountants

Salt Quay House
6 North East Quay
Plymouth
PL4 0HP

21 June 2021

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Consolidated Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	3	64,003	64,031
Cost of sales		<u>(41,688)</u>	<u>(39,847)</u>
Gross profit		22,315	24,184
Administrative expenses - before exceptional items		(10,809)	(10,289)
Exceptional items	4	<u>(4,538)</u>	<u>(1,228)</u>
Operating profit	5	<u>6,968</u>	<u>12,667</u>
Other interest receivable and similar income	6	2	2
Interest payable and similar expenses	7	<u>(3,090)</u>	<u>(5,894)</u>
		<u>(3,088)</u>	<u>(5,892)</u>
Profit before tax		3,880	6,775
Taxation	11	<u>(1,448)</u>	<u>(2,484)</u>
Profit for the financial year		<u>2,432</u>	<u>4,291</u>
Profit/(loss) attributable to:			
Owners of the company		<u>2,432</u>	<u>4,291</u>

The notes on pages 19 to 37 form an integral part of these financial statements.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

**Consolidated Statement of Comprehensive Income for the Year Ended 31 December
2019**

	2019	2018
	£ 000	£ 000
Profit for the year	2,432	4,291
Unrealised gain/(loss) on cash flow hedges	<u>69</u>	<u>420</u>
Total comprehensive income for the year	<u>2,501</u>	<u>4,711</u>
Total comprehensive income attributable to:		
Owners of the company	<u>2,501</u>	<u>4,711</u>

The notes on pages 19 to 37 form an integral part of these financial statements.

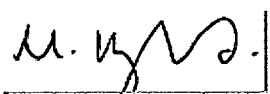
Barchester (CB) Limited (formerly brighterkind (CB) Limited)

(Registration number: 08436114)

Consolidated Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Intangible assets	12	3,775	4,051
Tangible assets	13	<u>110,076</u>	<u>109,949</u>
		<u>113,851</u>	<u>114,000</u>
Current assets			
Debtors	15	4,185	4,910
Cash at bank and in hand		<u>10,547</u>	<u>41,219</u>
		14,732	46,129
Creditors: Amounts falling due within one year	16	<u>(61,266)</u>	<u>(93,141)</u>
Net current liabilities		<u>(46,534)</u>	<u>(47,012)</u>
Total assets less current liabilities		67,317	66,988
Provisions for liabilities		<u>(886)</u>	<u>(1,058)</u>
Net assets		<u>66,431</u>	<u>65,930</u>
Capital and reserves			
Called up share capital	18	31,391	31,391
Capital contribution reserve		16,327	16,327
Cash flow hedging reserve		-	(69)
Profit and loss account		<u>18,713</u>	<u>18,281</u>
Equity attributable to owners of the company		<u>66,431</u>	<u>65,930</u>
Total equity		<u>66,431</u>	<u>65,930</u>

Approved and authorised by the Board on 18 June 2021 and signed on its behalf by:



M Hazlewood
Director

The notes on pages 19 to 37 form an integral part of these financial statements.

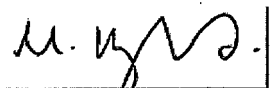
Barchester (CB) Limited (formerly brighterkind (CB) Limited)

(Registration number: 08436114)
Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Investments	14	31,391	31,391
Current assets			
Debtors	15	64,537	55,617
Creditors: Amounts falling due within one year	16	<u>(30,538)</u>	<u>(29,215)</u>
Net current assets		<u>33,999</u>	<u>26,402</u>
Net assets		<u>65,390</u>	<u>57,793</u>
Capital and reserves			
Called up share capital	18	31,391	31,391
Capital contribution reserve		16,327	16,327
Profit and loss account		<u>17,672</u>	<u>10,075</u>
Total equity		<u>65,390</u>	<u>57,793</u>

The company made a profit after tax for the financial year of £9,596,900 (2018 - profit of £2,750,000).

Approved and authorised by the Board on 18 June 2021 and signed on its behalf by:



M Hazlewood
Director

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2019
Equity attributable to the parent company

	Share capital £ 000	Cash flow hedging reserve £ 000	Capital contribution reserve £ 000	Profit and loss account £ 000	Total £ 000	Total equity £ 000
At 1 January 2019	31,391	(69)	16,327	18,281	65,930	65,930
Profit for the year	-	-	-	2,432	2,432	2,432
Other comprehensive income	-	69	-	-	69	69
Total comprehensive income	-	69	-	2,432	2,501	2,501
Dividends	-	-	-	(2,000)	(2,000)	(2,000)
At 31 December 2019	31,391	-	16,327	18,713	66,431	66,431

	Share capital £ 000	Cash flow hedging reserve £ 000	Capital contribution reserve £ 000	Profit and loss account £ 000	Total £ 000	Total equity £ 000
At 1 January 2018	31,391	(489)	16,327	13,990	61,219	61,219
Profit for the year	-	-	-	4,291	4,291	4,291
Other comprehensive income	-	420	-	-	420	420
Total comprehensive income	-	420	-	4,291	4,711	4,711
At 31 December 2018	31,391	(69)	16,327	18,281	65,930	65,930

The notes on pages 19 to 37 form an integral part of these financial statements.
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Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Capital contribution reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	31,391	16,327	10,075	57,793
Profit for the year	-	-	9,597	9,597
Total comprehensive income	-	-	9,597	9,597
Dividends	-	-	(2,000)	(2,000)
At 31 December 2019	<u>31,391</u>	<u>16,327</u>	<u>17,672</u>	<u>65,390</u>
	Share capital £ 000	Capital contribution reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	31,391	16,327	7,325	55,043
Profit for the year	-	-	2,750	2,750
Total comprehensive income	-	-	2,750	2,750
At 31 December 2018	<u>31,391</u>	<u>16,327</u>	<u>10,075</u>	<u>57,793</u>

The notes on pages 19 to 37 form an integral part of these financial statements.
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Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Consolidated Statement of Cash Flows for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Cash flows from operating activities			
Profit for the year		2,432	4,291
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	4,172	3,870
Impairment		-	1,116
Profit on disposal of tangible assets		(8)	-
Finance income	6	(2)	(2)
Finance costs	7	3,090	5,894
Income tax expense	11	1,448	2,484
		<u>11,132</u>	<u>17,653</u>
Working capital adjustments			
Decrease/(increase) in trade debtors	15	725	(1,489)
(Decrease)/increase in trade creditors	16	(999)	1,946
		<u>10,858</u>	<u>18,110</u>
Cash generated from operations		10,858	18,110
Income taxes paid	11	(1,150)	(3,550)
Net cash flow from operating activities		<u>9,708</u>	<u>14,560</u>
Cash flows from investing activities			
Interest received		2	2
Acquisitions of tangible assets		(4,022)	(2,837)
Proceeds from sale of tangible assets		8	-
Net cash flows from investing activities		<u>(4,012)</u>	<u>(2,835)</u>
Cash flows from financing activities			
Interest paid	7	(2,443)	(1,759)
Repayment of bank borrowing		(31,925)	(4,350)
Dividends paid		(2,000)	-
Net cash flows from financing activities		<u>(36,368)</u>	<u>(6,109)</u>
Net (decrease)/increase in cash and cash equivalents		(30,672)	5,616
Cash and cash equivalents at 1 January		41,219	35,603
Cash and cash equivalents at 31 December		<u>10,547</u>	<u>41,219</u>

The notes on pages 19 to 37 form an integral part of these financial statements.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

The company is a private company limited by share capital, incorporated in United Kingdom.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The functional and presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £'000.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The Parent Company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time; and
- No separate parent company Cash Flow Statement with related notes is included.

Summary of disclosure exemptions

As the Company is a wholly owned subsidiary of FSHC Group Holdings Limited, by virtue of FRS 102 Section 33.1A the Company has not disclosed transactions with wholly owned entities which form part of the Group.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2019.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Going concern

As at the date of preparation of these accounts Barchester (CB) Limited (the Company) is a subsidiary of Grove Limited (the Grove Group).

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

The Grove Group meets its day to day working capital requirements through its cash reserves, bank loans and shareholder loans. The Directors of Grove Limited have prepared cash flow forecasts for the Grove Group for the remainder of 2021 and the year ending 31 December 2022. These forecasts take into account the impact of Covid-19 to date, and revised expectations in relation to occupancy, labour costs and additional related costs (such as PPE, anticipated on-going testing and a full programme of capital expenditure).

The Directors of Grove Limited have also reviewed the impact of a possible "third wave" of Covid-19 and the impact on cash should this arise due to an increase in deaths. Steps have been taken to mitigate against the impacts of such an outbreak, and the reduction in the incidence of Covid-19 cases in residents, patients and staff has been reassuring. The steps taken include:

- Mandatory vaccination of all staff who have a role which requires them to work in any of our homes or hospitals at any time.
- Mandatory vaccination of any new residents moving in.
- Maintaining our independent supply chain for PPE (as we did throughout 2020).
- Commitment to on-going testing of residents, patients, staff, visitors and contractors who enter any home or hospital.

In particular, we believe that our position on vaccinations should mean that any increase in cases in the general population should not translate directly into increased cases in the homes and hospitals.

The Directors of Grove Limited also considered the impact on cash forecasts should occupancy be impacted by an on going 50% reduction in demand from residents or their families and are satisfied that mitigations are in place to address demand pressures.

Our forecasts, including the downside sensitivities, indicate that the Grove Group will have sufficient cash resources for the forecast period through to December 2022. In addition to the forecast cash surplus, the Grove Group has a £20 million revolving credit facility available from NatWest. This is forecast not to be required at any time throughout the forecast period, even in the downside sensitised cases described above. In addition, there are a number of areas of discretionary expenditure which could be reduced if necessary and sufficient assets on the balance sheet that could be used to raise additional debt if required.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Key sources of estimation uncertainty

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. The estimated recoverable amount of each asset is assumed to be its fair value less costs to sell, and is based on a third party valuation.

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

The Group makes an estimate of the recoverable value of amounts owed by debtors. When assessing impairment of debtors, management considers factors including the ageing profile of debtors and historical experience.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when:

The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the Group's activities.

Tax

The tax expense for the period comprises current tax and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the consolidated financial statements.

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

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land and buildings	straight line over 45 years
Fixtures and fittings	straight line over 3-5 years
Motor vehicles	straight line over 4 years

Impairment of non-financial assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	Straight line over 20 years

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Derivative financial instruments and hedging

Derivatives

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Hedging

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

3 Revenue

All revenue was generated in the United Kingdom and was derived from the principal activity of the Group.

4 Exceptional items

The operating profit in the current year includes costs relating to the sale of the Group amounting to £4,538,000.

The operating profit in the prior year includes a property impairment of £1,116,000, £257,000 relating to project costs and a credit of £145,000 relating to historical balance sheet items.

5 Operating profit

Arrived at after charging/(crediting)

	2019	2018
	£ 000	£ 000
Depreciation expense	3,896	3,593
Amortisation expense	276	277
Impairment loss	-	1,116
Operating lease expense - property	4,872	4,713
Profit on disposal of property, plant and equipment	<u>(8)</u>	<u>-</u>

6 Other interest receivable and similar income

	2019	2018
	£ 000	£ 000
Interest income on bank deposits	<u>2</u>	<u>2</u>

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

7 Interest payable and similar expenses

	2019	2018
	£ 000	£ 000
Interest on bank overdrafts and borrowings	1,785	2,306
Other finance costs	484	410
Interest payable on loans from group undertakings	821	3,178
	<u>3,090</u>	<u>5,894</u>

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019	2018
	£ 000	£ 000
Wages and salaries	28,965	29,010
Social security costs	2,085	2,108
Pension costs, defined contribution scheme	461	292
	<u>31,511</u>	<u>31,410</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2019	2018
	No.	No.
Administration	91	97
Care	1,826	1,819
	<u>1,917</u>	<u>1,916</u>

9 Directors' remuneration

The Group incurs an annual service charge of £100,000 (2018: £100,000) from the Elli Investments Limited group in respect of shared management, including the provision of directors, and corporate services.

In addition, payments totalling £59,000 (2018: £58,000) were made directly by the Group in respect of the services of one (2018: one) director.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of these financial statements	50	10
Audit of the financial statements of subsidiaries	-	65
	<u>50</u>	<u>75</u>
Other fees to auditors		
All other assurance services	-	3
	<u>-</u>	<u>3</u>

11 Taxation

Tax charged/(credited) in the income statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	1,620	2,462
UK corporation tax adjustment to prior periods	-	(43)
	<u>1,620</u>	<u>2,419</u>
Deferred taxation		
Arising from origination and reversal of timing differences	46	46
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(218)	19
	<u>(172)</u>	<u>65</u>
Total deferred taxation	<u>(172)</u>	<u>65</u>
Tax expense in the income statement	<u>1,448</u>	<u>2,484</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

11 Taxation (continued)

	2019	2018
	£ 000	£ 000
Profit before tax	<u>3,880</u>	<u>6,775</u>
Corporation tax at standard rate	737	1,287
Effect of expense not deductible in determining taxable profit (tax loss)	929	1,190
Deferred tax (credit)/expense from unrecognised temporary difference from a prior period	(218)	19
Decrease in UK and foreign current tax from adjustment for prior periods	-	(43)
Tax increase from other short-term timing differences	<u>-</u>	<u>31</u>
Total tax charge	<u>1,448</u>	<u>2,484</u>

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. Deferred tax balances have been calculated at a rate of 17% as this is the rate at which the majority of the timing differences are expected to reverse.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

11 Taxation (continued)

Deferred tax

Group

Deferred tax assets and liabilities

	Liability £ 000
2019	
Difference between accumulated depreciation and capital allowances	<u>886</u>
2018	Liability £ 000
Difference between accumulated depreciation and capital allowances	<u>1,058</u>

12 Intangible assets

Group

	Goodwill £ 000	Total £ 000
Cost or valuation		
At 1 January 2019	<u>5,526</u>	<u>5,526</u>
At 31 December 2019	<u>5,526</u>	<u>5,526</u>
Amortisation		
At 1 January 2019	1,475	1,475
Amortisation charge	<u>276</u>	<u>276</u>
At 31 December 2019	<u>1,751</u>	<u>1,751</u>
Carrying amount		
At 31 December 2019	<u>3,775</u>	<u>3,775</u>
At 31 December 2018	<u>4,051</u>	<u>4,051</u>

The amortisation charge is included within administrative expenses.

On 11 April 2013 Barchester (CB) Limited acquired, via a direct subsidiary, Optimum Care Limited and Optimum Leaseco Limited and their subsidiary undertakings. Goodwill of £3,289,000 arose on this transaction and is being amortised over 20 years.

On 20 March 2014 Barchester (CB) Limited acquired the trade and freehold properties of six care homes and one leasehold care home via the acquisition of the entire share capital of five companies. Goodwill of £2,237,000 arose on this transaction and is being amortised over 20 years.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

13 Tangible assets

Group

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Motor vehicles £ 000	Total £ 000
Cost or valuation				
At 1 January 2019	119,813	15,708	94	135,615
Additions	-	3,985	37	4,022
Disposals	-	-	(49)	(49)
At 31 December 2019	119,813	19,693	82	139,588
Depreciation				
At 1 January 2019	14,993	10,587	85	25,665
Charge for the year	1,757	2,107	32	3,896
Eliminated on disposal	-	-	(49)	(49)
At 31 December 2019	16,750	12,694	68	29,512
Carrying amount				
At 31 December 2019	103,063	6,999	14	110,076
At 31 December 2018	104,820	5,035	94	109,949

Included within the net book value of land and buildings above is £100,516,000 (2018 - £102,297,000) in respect of freehold land and buildings and £2,547,000 (2018 - £2,523,000) in respect of long leasehold land and buildings.

Contractual commitments for the acquisition of property, plant and equipment

Contractual commitments for the acquisition of tangible assets were as follows:

	2019 £ 000	2018 £ 000
Contracted	-	240

14 Investments

Company

	2019 £ 000	2018 £ 000
Investments in subsidiaries	31,391	31,391

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

14 Investments (continued)

Details of undertakings

Details of the investments in which the company holds any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held		
			2019	2018	
Subsidiary undertakings					
Alphacare Holdings Limited	United Kingdom	Ordinary	100%	100%	
Hampton Grove Healthcare Limited	United Kingdom	Ordinary	100%	100%	
Beacon Place Limited	United Kingdom	Ordinary	100%	100%	
Spen Court Healthcare Limited	United Kingdom	Ordinary	100%	100%	
Bamfield Lodge Limited	United Kingdom	Ordinary	100%	100%	
Barchester Limited	United Kingdom	Ordinary	100%	100%	
Barchester (MW) Limited	United Kingdom	Ordinary	100%	100%	
Boroughbridge Manor Limited	United Kingdom	Ordinary	100%	100%	
Brampton View Limited	United Kingdom	Ordinary	100%	100%	
Broadway Halls Care Services Limited	United Kingdom	Ordinary	100%	100%	
Cedars Health Care Limited	United Kingdom	Ordinary	100%	100%	
Cepen Lodge Limited	United Kingdom	Ordinary	100%	100%	
Cookridge Court Limited	United Kingdom	Ordinary	100%	100%	
Crabwall Claremont	United Kingdom	Ordinary	100%	100%	
Elm Bank Healthcare Limited	United Kingdom	Ordinary	100%	100%	
Hall Park Healthcare Limited	United Kingdom	Ordinary	100%	100%	
Highfields Care Home Limited	United Kingdom	Ordinary	100%	100%	
Lawton Group Holdings Limited	United Kingdom	Ordinary	100%	100%	
Lawton Group Limited	United Kingdom	Ordinary	100%	100%	

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

14 Investments (continued)

Lawton Manor Care Home Limited	United Kingdom	Ordinary	100%	100%
Lawton Manor Holdings Limited	United Kingdom	Ordinary	100%	100%
Lawton Rise Care Home Limited	United Kingdom	Ordinary	100%	100%
Lawton Rise Holdings Limited	United Kingdom	Ordinary	100%	100%
Leeming Bar Limited	United Kingdom	Ordinary	100%	100%
Optimum Debtco Limited	United Kingdom	Ordinary	100%	100%
Optimum FS Care Developments Limited	United Kingdom	Ordinary	100%	100%
Optimum FS Care Services Limited	United Kingdom	Ordinary	100%	100%
Barchester (Botley) Limited	United Kingdom	Ordinary	100%	100%
Optimum FS Homes Skipton Limited	United Kingdom	Ordinary	100%	100%
Optimum Leasco Limited	United Kingdom	Ordinary	100%	100%
Scarborough Hall Limited	United Kingdom	Ordinary	100%	100%
Tewkesbury Care Home Limited	United Kingdom	Ordinary	100%	100%
Tewkesbury Fields Holdings Limited	United Kingdom	Ordinary	100%	100%

The principal activity of Alphacare Holdings Limited, Hampton Grove Limited, Beacon Place Limited, Spen Court Healthcare Limited, Bamfield Lodge Limited, Barchester Limited, Boroughbridge Manor Limited, Brampton View Limited, Broadway Halls Care Services Limited, Cedars Health Care Limited, Cepen Lodge Limited, Cookridge Court Limited, Crabwall Claremont Limited, Elm Bank Healthcare Limited, Hall Park Healthcare Limited, Highfields Care Home Limited, Lawton Group Limited, Lawton Manor Care Home Limited, Lawton Rise Care Home Limited, Leeming Bar Limited, Scarborough Hall Limited and Tewkesbury Care Home Limited is the operation of care homes.

The principal activity of Barchester (MW) Limited, Lawton Group Holdings Limited, Lawton Manor Holdings Limited, Lawton Rise Holdings Limited, Optimum Debtco Limited, Optimum Leasco Limited, Optimum FS Care Developments Limited and Tewkesbury Fields Holdings Limited is that of an intermediate holding company.

The principal activity of Barchester (Botley) Limited is the development of a new care home. Optimum FS Care Services Limited and Optimum FS Homes Skipton Limited are dormant.

The registered office of all companies is: The Aspect, Finsbury Square, London, EC2A 1AS.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

14 Investments (continued)

For the year ending 31 December 2019 the following subsidiaries were entitled to exemption from audit under section 479A of the Companies Act relating to subsidiary companies:

Alphacare Holdings Limited; Hampton Grove Healthcare Limited; Beacon Place Limited; Spen Court Healthcare Limited; Bamfield Lodge Limited; Barchester Limited; Barchester (MW) Limited; Boroughbridge Manor Limited; Brampton View Limited; Broadway Halls Care Services Limited; Cedars Health Care Limited; Cepen Lodge Limited; Cookridge Court Limited; Crabwall Claremont Limited; Elm Bank Limited; Hall Park Healthcare Limited; Highfields Limited; Lawton Group Holdings Limited; Lawton Group Limited; Lawton Manor Care Home Limited; Lawton Manor Holdings Limited; Lawton Rise Care Home Limited; Lawton Rise Holdings Limited; Leeming Bar Limited; Optimum Debtco Limited; Optimum FS Care Developments Limited; Optimum FS Care Services Limited; Barchester (Botley) Limited; Optimum FS Homes Skipton Limited; Optimum Leaseco Limited; Scarborough Hall Limited; Tewkesbury Care Home Limited; and Tewkesbury Fields Holdings Limited.

15 Debtors

	Group		Company	
	2019	2018	2019	2018
	£ 000	£ 000	£ 000	£ 000
Trade debtors	2,504	3,421	-	-
Amounts owed by related parties	88	-	64,537	55,617
Prepayments	1,593	1,489	-	-
	<u>4,185</u>	<u>4,910</u>	<u>64,537</u>	<u>55,617</u>

16 Creditors

	Group		Company	
	2019	2018	2019	2018
	£ 000	£ 000	£ 000	£ 000
Due within one year				
Loans and borrowings	51,688	82,613	24,688	23,867
Trade creditors	1,408	893	-	-
Amounts due to related parties	-	350	5,850	5,348
Social security and other taxes	507	447	-	-
Outstanding defined contribution pension costs	92	53	-	-
Other payables	1,671	4,233	-	-
Accruals	5,430	4,483	-	-
Income tax liability	470	-	-	-
Other current financial liabilities	-	69	-	-
	<u>61,266</u>	<u>93,141</u>	<u>30,538</u>	<u>29,215</u>

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

17 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £461,000 (2018 - £292,000).

Contributions totalling £92,000 (2018 - £53,000) were payable to the scheme at the end of the year and are included in creditors.

18 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>31,391</u>	<u>31,391</u>	<u>31,391</u>	<u>31,391</u>

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

19 Loans and borrowings

	Group		Company	
	2019	2018	2019	2018
	£ 000	£ 000	£ 000	£ 000
Current loans and borrowings				
Bank borrowings	27,000	58,746	-	-
Amounts owed to parent undertakings	24,688	23,867	24,688	23,867
	<u>51,688</u>	<u>82,613</u>	<u>24,688</u>	<u>23,867</u>

At 31 December 2019 the Group had the following bank borrowings:

"Facility B1": £18,000,000 repayable in April 2020. Interest is charged at LIBOR plus 2.5%-3.85% depending on the Group's leverage. This facility was repaid and replaced by an intercompany loan subsequent to the year end.

"Facility B2": £9,000,000 repayable in April 2020. Interest is charged at LIBOR plus 2.5%-3.85% depending on the Group's leverage. This facility was repaid and replaced by an intercompany loan subsequent to the year end.

The bank borrowings are secured by means of a composite guarantee and debenture generating a fixed and floating charge on the Group's properties and assets.

The shareholder loan repayment date is aligned to Facility B1 and B2. Until 20 March 2014 the loan accrued interest at 15% on a compounding basis. From 20 March 2014 the terms of the loan were amended at which point it became non-interest bearing and the previous interest accrued of £3,662,000 was waived. The existing shareholder loan was repaid and replaced by a new intercompany loan subsequent to the year end.

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

20 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2019	2018
	£ 000	£ 000
Not later than one year	5,089	4,975
Later than one year and not later than five years	21,057	19,900
Later than five years	<u>109,908</u>	<u>91,383</u>
	<u><u>136,054</u></u>	<u><u>116,258</u></u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £4,872,000 (2018 - £4,713,000).

21 Financial instruments

Group

Categorisation of financial instruments

	2019	2018
	£ 000	£ 000
Financial liabilities measured at fair value through profit or loss	-	69
Financial liabilities measured at amortised cost	<u>51,688</u>	<u>92,366</u>
	<u><u>51,688</u></u>	<u><u>92,435</u></u>

Barchester (CB) Limited (formerly brighterkind (CB) Limited)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

21 Financial instruments (continued)

Financial liabilities measured at fair value

Interest rate swap

In order to manage exposure to fluctuating interest rates, the Group previously entered into two interest rate swaps. The interest rate swaps expired on 11 April 2019 and have not been extended.

At the year end, the fair value is therefore £Nil (2018 - £69,000) and the change in value included in other comprehensive income is a credit of £69,000 (2018 - credit of £420,000).

Cash flow hedges

Interest rate swap

In order to manage exposure to fluctuating interest rates, the Group previously entered into two interest rate swaps. The interest rate swaps expired on 11 April 2019 and have not been extended.

The fair value of the financial instruments designated as hedging instruments at 31 December 2019 is £Nil (2018 - credit of £69,000).

The amount of the change in fair value of the hedging instrument that was recognised in other comprehensive income during the period is a credit of £69,000 (2018 - credit of £420,000).

The amount reclassified from other comprehensive income to profit or loss for the period is £Nil (2018 - £Nil).

The amount of any excess of the fair value of the hedging instrument over the change in the fair value of the expected cash flows that was recognised in profit or loss for the period is £Nil (2018 - £Nil).

22 Non adjusting events after the financial period

On 8 January 2020, the entire share capital of Barchester (CB) Limited was purchased by Barchester Finco 2019 Limited, a subsidiary of Grove Limited.

23 Parent and ultimate parent undertaking

Until 8 January 2020 the company's immediate parent was brighterkind (PC) Limited, a company incorporated in the United Kingdom, and its ultimate parent was Terra Firma Holdings Limited, a company incorporated in Guernsey.

From 8 January 2020 the company's immediate parent is Barchester Finco 2019 Limited, a company incorporated in the United Kingdom, and its ultimate parent is Grove Limited, a company incorporated in Jersey.