

Registered number: 05133946

SHAW HEALTHCARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

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SHAW HEALTHCARE LIMITED

COMPANY INFORMATION

| | |
|---------------------|--|
| Directors | R S Brown S D Hughes (resigned 9 May 2019) P J Nixey M J Smith (appointed 1 May 2019) A Thomas L P Urquhart |
| Registered number | 05133946 |
| Registered office | 1 Links Court Links Business Park St Mellons Cardiff CF3 0LT |
| Independent auditor | Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 6th Floor 3 Callaghan Square Cardiff CF10 5BT |
| Bankers | Allied Irish Bank 19 Whiteladies Road Clifton BS8 1PB |
| Solicitors | Blake Morgan LLP One Central Square Cardiff CF10 1FS |

SHAW HEALTHCARE LIMITED

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SHAW HEALTHCARE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Business review

Shaw healthcare Limited is a wholly-owned subsidiary of Shaw healthcare (Group) Limited and the directors draw your attention to the business review located within the annual report of Shaw healthcare (Group) Limited.

The principal activity of the company is that of the provision of care services.

The Profit and loss account for the year is set out on page 9.

Principal risks and uncertainties


Most of the company's income derives from long-term contracts (20-30 years) with the public sector (NHS and local authorities) and the balance from selling care home places and services on the open market. Any shortcoming in the quality of care services places this income at risk: either because contracted income reduces if key performance indicator targets are not met or because a home with a failing reputation is unlikely to get new customers.

The company benefits from its parent company's quality and training departments, which exist to monitor and improve the quality of care services, while protecting against the reputational and commercial risks resulting from poor quality care. The quality department has a responsibility to report areas of concern to the Board of Directors on a monthly basis.

Key performance indicators

The company measures its performance using a range of indicators relating principally to quality of care provided and financial health. These indicators are assessed by the Group board at a consolidated level and further details can be found in the strategic report of the Shaw healthcare (Group) Limited financial statements.

This report was approved by the board on 24 September 2020 and signed on its behalf.



P J Nixey
Director

SHAW HEALTHCARE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

Results and dividends

The loss for the year, after taxation, amounted to £1,148,200 (2019 - profit £3,192).

Ordinary dividends of £Nil (2019: £300,000) were paid during the year.

Directors

The directors who served during the year were:

R S Brown
S D Hughes (resigned 9 May 2019)
P J Nixey
M J Smith (appointed 1 May 2019)
A Thomas
L P Urquhart

Directors' responsibilities statement

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, 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 affair and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SHAW HEALTHCARE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

Risk management objectives and policies***Liquidity risk***

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses short-term debt finance. Further details regarding liquidity risk can be found in the statement of accounting policies in the financial statements.

Credit risk

The company's principal financial assets are bank balances and cash and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in interest rates. Interest-bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Future developments

The COVID-19 pandemic impacted the company significantly in April and May 2020 and we unfortunately lost a number of residents to this terrible disease. From a financial perspective we downgraded our budget after performing detailed modelling on various scenarios looking at the impact of COVID on key revenue streams and cost drivers. We also have been working hard with our contract partners to both ensure that we were accessing COVID support provided by central government but also to ensure our supply chain remained robust through the lockdown period.

Trading in the current year is higher than the equivalent period in the prior year. Despite some uncertainty around the overall impact of the COVID-19 pandemic on the financials as a whole, the directors anticipate the full year 2020/21 normalised profit to be above that achieved in 2019/20.

Disabled persons

The company operates a policy of equal opportunities for employment which includes disabled employees. This policy gives full and fair consideration to applications for employment to the company made by disabled persons, having regard to their particular aptitudes and abilities, for continuing the employment of, and for arranging appropriate training for, employees of the company who have become disabled persons during the period when they were employed by the company and otherwise for the training, career development and promotion of disabled persons employed by the company.

Engagement with employees

During the financial year the company continued the arrangements aimed at:

1. providing employees systematically with information on matters of concern to them as employees;
2. consulting employees or their representatives on a regular basis so that the views of the employees can be taken into account in making decisions which are likely to affect their interests;
3. achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company.

SHAW HEALTHCARE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

Taxation status

The company is a close company under the provisions of the Taxes Act 1988.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 24 September 2020 and signed on its behalf.

Jeremy Nixey

P J Nixey
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHAW HEALTHCARE LIMITED

Opinion

We have audited the financial statements of Shaw healthcare Limited (the 'company') for the year ended 31 March 2020, which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 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 under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHAW HEALTHCARE LIMITED
(CONTINUED)**

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHAW HEALTHCARE LIMITED
(CONTINUED)**

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHAW HEALTHCARE LIMITED
(CONTINUED)**

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

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

Use of our report

This report is made solely to the 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.



Rhian Owen BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cardiff

24 September 2020

SHAW HEALTHCARE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2020**

| | Note | 2020 £ | 2019 £ |
|---|------|--------------------|-----------------|
| Turnover | 4 | 33,711,222 | 32,984,343 |
| Operating costs | | (35,217,372) | (33,025,127) |
| Operating loss | 5 | (1,506,150) | (40,784) |
| Interest receivable and similar income | 9 | 96,840 | 80,969 |
| Interest payable and similar expenses | 10 | (9,232) | (9,963) |
| (Loss)/profit before tax | | (1,418,542) | 30,222 |
| Tax on (loss)/profit | 11 | 270,342 | (27,030) |
| (Loss)/profit for the financial year | | (1,148,200) | 3,192 |

The Profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 13 to 30 form part of these financial statements.

SHAW HEALTHCARE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

| | 2020 £ | 2019 £ |
|--|--------------------|-----------|
| (Loss)/profit for the financial year | (1,148,200) | 3,192 |
| Other comprehensive income | | |
| Actuarial gain/(loss) on defined benefit pension schemes | 684,394 | 183,594 |
| Tax relating to other comprehensive income | (95,007) | (31,211) |
| Other comprehensive income for the year | 589,387 | 152,383 |
| Total comprehensive income for the year | (558,813) | 155,575 |

The notes on pages 13 to 30 form part of these financial statements.

SHAW HEALTHCARE LIMITED
REGISTERED NUMBER:05133946

BALANCE SHEET
AS AT 31 MARCH 2020

| | Note | 2020 £ | 2019 £ |
|---|------|-------------------------|-------------------------|
| Fixed assets | | | |
| Tangible assets | 13 | 45,654 | 45,654 |
| | | <u>45,654</u> | <u>45,654</u> |
| Current assets | | | |
| Debtors: amounts falling due after more than one year | 14 | 5,068,262 | 5,120,077 |
| Debtors: amounts falling due within one year | 14 | 721,173 | 308,270 |
| Cash at bank and in hand | 15 | 407,251 | 940,340 |
| | | <u>6,196,686</u> | <u>6,368,687</u> |
| Creditors: amounts falling due within one year | 16 | (2,604,811) | (1,741,603) |
| Net current assets | | <u>3,591,875</u> | <u>4,627,084</u> |
| Total assets less current liabilities | | <u>3,637,529</u> | <u>4,672,738</u> |
| Pension liability | 23 | (1,274,997) | (1,751,393) |
| Net assets | | <u><u>2,362,532</u></u> | <u><u>2,921,345</u></u> |
| Capital and reserves | | | |
| Called up share capital | 20 | 1 | 1 |
| Profit and loss account | 21 | 2,362,531 | 2,921,344 |
| | | <u><u>2,362,532</u></u> | <u><u>2,921,345</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 September 2020.

Russell Brown

R S Brown
Director

Jeremy Nixey

P J Nixey
Director

The notes on pages 13 to 30 form part of these financial statements.

SHAW HEALTHCARE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

| | Called up share capital | Profit and loss account | Total equity |
|--|----------------------------|----------------------------|------------------|
| | £ | £ | £ |
| At 1 April 2019 | 1 | 2,921,344 | 2,921,345 |
| Comprehensive income for the year | | | |
| Loss for the year | - | (1,148,200) | (1,148,200) |
| Actuarial gains on defined benefit plans | - | 684,394 | 684,394 |
| Tax relating to other comprehensive income | - | (95,007) | (95,007) |
| Other comprehensive income for the year | - | 589,387 | 589,387 |
| Total comprehensive income for the year | - | (558,813) | (558,813) |
| At 31 March 2020 | 1 | 2,362,531 | 2,362,532 |

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

| | Called up share capital | Profit and loss account | Total equity |
|--|----------------------------|----------------------------|------------------|
| | £ | £ | £ |
| At 1 April 2018 | 1 | 3,065,769 | 3,065,770 |
| Comprehensive income for the year | | | |
| Profit for the year | - | 3,192 | 3,192 |
| Actuarial gains on defined benefit plans | - | 183,594 | 183,594 |
| Tax relating to other comprehensive income | - | (31,211) | (31,211) |
| Other comprehensive income for the year | - | 152,383 | 152,383 |
| Total comprehensive income for the year | - | 155,575 | 155,575 |
| Dividends: Equity capital | - | (300,000) | (300,000) |
| At 31 March 2019 | 1 | 2,921,344 | 2,921,345 |

The notes on pages 13 to 30 form part of these financial statements.

SHAW HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

1. General information

Shaw healthcare Limited is a private company limited by shares incorporated in England and Wales. The registered office is 1 Links Court, Links Business Park, St Mellons, Cardiff, CF3 0LT.

The principal activity of Shaw healthcare Limited is the provision of care services.

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 financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

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

There is currently a high level of macro-economic uncertainty due to COVID-19. The preparation of the financial statements requires the directors to make a number of estimates, including an assessment of the appropriateness of the going concern basis of preparation of the financial statements. This assessment includes a review of the future economic environment and the company's future prospects and performance.

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 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Shaw healthcare (Group) Limited as at 31 March 2020 and these financial statements may be obtained from its registered office, 1 Links Court, Links Business Park, St Mellons, Cardiff, CF3 0LT.

SHAW HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared using the going concern basis of accounting. The company's business activities are set out in the Strategic Report. The Business Review incorporated in the annual report of Shaw healthcare (Group) Limited, the ultimate parent company, includes information on the group's business activities, together with the factors likely to affect its future development, performance and position. It also includes information on the financial position of the group, its cash flows, liquidity position and borrowing facilities as well as its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The company's income largely derives from long-term contracts and is therefore secure.

As a provider of care services, the company's main risks relate to inflation and cost control, notably in relation to staff and food costs. This risk is mitigated through a comprehensive framework of controls and performance metrics and by entering into fixed price agreements where possible and appropriate.

As described in note 23, the company participates in three local government defined benefit pension schemes. The company recognised a liability at 31 March 2020 of £1,274,997 in respect of these schemes (2019: £1,751,393). The schemes' managers employ actuaries and investment managers in order to mitigate as far as possible the risks that are inherent in this, and any, defined benefit pension scheme.

The recent COVID-19 pandemic has been considered as part of the assessment including amending the 2020/21 forecast to consider reasonable financial downside scenarios together with limited cost upsides. The scenarios considered revenue decreases including debtor recoverability issues. Cost increases linked to staffing (sickness, staff cohorting and increased demand on third party agency staff), PPE and price increases for high demand products such as medical consumables were also included. Cost upsides were restricted to reduced property spend due to planned maintenance programmes needing to be delayed.

To date, we have not observed any material adverse impact on our financial performance due to COVID-19 and are not expecting this to change over the forecast period under review. The resilience of the business is underpinned by a large proportion of contracted revenue and strong relationships with local authorities who have assisted with the additional cost burden of COVID-19 linked to PPE, sickness and agency staff.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

2.4 Revenue

The turnover shown in the Profit and loss account arises wholly in the United Kingdom and represents amounts recognised during the year, exclusive of Value Added Tax, in line with the company's revenue recognition policy. The company recognises revenue in the period in which care is provided for non-contracted market beds and in which it is made available for contracted block beds. It also recognises income in the period in which care services are provided on behalf of other companies in the group.

SHAW HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)**2.5 Operating leases: the company as lessee**

Rentals paid under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2018 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.6 Interest income

Interest income is recognised in the Profit and loss account using the effective interest method.

2.7 Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Borrowing costs

All borrowing costs are recognised in the Profit and loss account in the year in which they are incurred.

2.9 Pensions**Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Defined benefit pension plan

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the

SHAW HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)**2.9 Pensions (continued)**

company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. 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.

SHAW HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)**2.11 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

No depreciation is charged on freehold land.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and loss account.

2.12 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.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.14 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.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.16 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

SHAW HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)**2.16 Financial instruments (continued)**

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

SHAW HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key sources of estimation that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Defined benefit pension scheme

The company contributes to a number of defined benefit pension schemes. The accounting cost of these benefits and the present value of the pension liabilities involve judgements about uncertain events including such factors as the life expectancy of the members, the salary progression of current employees, price inflation and the discount rate used to calculate the net present value of the future pension payments. Estimates are used for all of these factors in determining the pension costs and liabilities incorporated in the financial statements. The assumptions reflect historical experience and judgement regarding future expectations and external actuarial specialists are also used to assist in this exercise. Please refer to Note 24.

4. Turnover

An analysis of turnover by class of business is as follows:

| | 2020 £ | 2019 £ |
|----------------------------|-------------------|-------------------|
| Care home residential fees | 33,506,813 | 32,774,983 |
| Other income | 204,409 | 209,360 |
| | <u>33,711,222</u> | <u>32,984,343</u> |

5. Operating loss

The operating loss is stated after charging:

| | 2020 £ | 2019 £ |
|-------------------------------|--------------|--------------|
| Other operating lease rentals | 7,481 | 8,276 |
| | <u>7,481</u> | <u>8,276</u> |

SHAW HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

6. Auditor's remuneration

| | 2020 £ | 2019 £ |
|---|--------------|--------------|
| Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements | <u>5,324</u> | <u>5,203</u> |

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.

SHAW HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

7. Employees

| | 2020 | 2019 |
|-------------------------------------|--------------------------|--------------------------|
| | £ | £ |
| Wages and salaries | 23,702,911 | 22,061,584 |
| Social security costs | 1,517,502 | 1,343,791 |
| Cost of defined contribution scheme | 599,621 | 502,579 |
| | <u>25,820,034</u> | <u>23,907,954</u> |

The average monthly number of employees, including the directors, during the year was as follows:

| | 2020 | 2019 |
|-----------------|---------------------|---------------------|
| | Number | Number |
| Care home staff | 1,537 | 1,546 |
| Administration | 36 | 54 |
| | <u>1,573</u> | <u>1,600</u> |

8. Directors' remuneration

The directors are remunerated by Shaw healthcare (Group) Limited for their services to the group as a whole. It is not practicable to allocate their remuneration between their services to this company and other group companies. Their remuneration is disclosed in the consolidated financial statements of Shaw healthcare (Group) Limited, which are publicly available.

9. Interest receivable

| | 2020 | 2019 |
|--|----------------------|----------------------|
| | £ | £ |
| Interest on bank deposits | 276 | 2,951 |
| Interest receivable from group companies | 96,564 | 78,018 |
| | <u>96,840</u> | <u>80,969</u> |

SHAW HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**10. Interest payable and similar expenses**

| | 2020 £ | 2019 £ |
|---|--------------|--------------|
| Interest on bank overdrafts and loans | 1,985 | 2,086 |
| Interest on the net defined benefit liability | 7,247 | 7,877 |
| | <u>9,232</u> | <u>9,963</u> |

11. Taxation

| | 2020 £ | 2019 £ |
|---|------------------|-----------------|
| Corporation tax | | |
| Current tax on profits for the year | - | 39,366 |
| Adjustments in respect of previous periods | 44 | - |
| Group taxation relief | (227,194) | - |
| Total current tax | <u>(227,150)</u> | <u>39,366</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (43,192) | (12,336) |
| Total deferred tax | <u>(43,192)</u> | <u>(12,336)</u> |
| Taxation on (loss)/profit on ordinary activities | <u>(270,342)</u> | <u>27,030</u> |

SHAW HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2019 - *higher than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

| | 2020 £ | 2019 £ |
|--|-------------------------|----------------------|
| (Loss)/profit on ordinary activities before tax | <u>(1,418,542)</u> | <u>30,222</u> |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%) | (269,523) | 5,742 |
| Effects of: | | |
| Effect of rate change | (863) | 21,288 |
| Prior year adjustments | 44 | - |
| Total tax charge for the year | <u><u>(270,342)</u></u> | <u><u>27,030</u></u> |

12. Dividends

| | 2020 £ | 2019 £ |
|-----------------|-----------------|-----------------------|
| Ordinary | | |
| Dividends | <u><u>-</u></u> | <u><u>300,000</u></u> |

SHAW HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

13. Tangible fixed assets

| | Freehold land and buildings £ |
|--------------------------|--|
| Cost or valuation | |
| At 1 April 2019 | 45,654 |
| At 31 March 2020 | 45,654 |
| Net book value | |
| At 31 March 2020 | 45,654 |
| At 31 March 2019 | 45,654 |

14. Debtors

| | 2020 £ | 2019 £ |
|-------------------------------------|------------------|------------------|
| Due after more than one year | | |
| Amounts owed by group undertakings | 4,815,000 | 4,815,000 |
| Deferred tax asset | 253,262 | 305,077 |
| | <u>5,068,262</u> | <u>5,120,077</u> |
| Due within one year | | |
| Trade debtors | 15,164 | 20,162 |
| Amounts owed by group undertakings | 550,056 | 193,331 |
| Other debtors | 59,881 | - |
| Prepayments and accrued income | 96,072 | 94,777 |
| | <u>721,173</u> | <u>308,270</u> |

The amounts owed by other group companies are unsecured, interest-free and repayable on demand unless otherwise stated.

SHAW HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

15. Cash and cash equivalents

| | 2020 £ | 2019 £ |
|--------------------------|----------------|----------------|
| Cash at bank and in hand | <u>407,251</u> | <u>940,340</u> |

16. Creditors: Amounts falling due within one year

| | 2020 £ | 2019 £ |
|------------------------------------|------------------|------------------|
| Loan owed to group undertakings | 375,000 | - |
| Trade creditors | 390,754 | 718,877 |
| Amounts owed to group undertakings | 284,012 | 20,339 |
| Corporation tax | 44 | 39,366 |
| Other taxation and social security | 318,264 | 320,503 |
| Other creditors | 765,103 | 47,486 |
| Accruals and deferred income | 471,634 | 595,032 |
| | <u>2,604,811</u> | <u>1,741,603</u> |

The amounts owed to other group companies are unsecured, interest-free and repayable on demand unless otherwise stated.

17. Loans

Analysis of the maturity of loans is given below:

| | 2020 £ | 2019 £ |
|--|----------------|-----------|
| Amounts falling due within one year | | |
| Loan owed to group undertakings | <u>375,000</u> | <u>-</u> |

The loans are unsecured and repayable within one year. Interest charged during the year was between 0.5% and 2.0%.

18. Provisions for liabilities

| | 2020 £ | 2019 £ |
|--------------------------------|------------------|------------------|
| Retirement benefit obligations | <u>1,274,997</u> | <u>1,751,393</u> |

SHAW HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

19. Deferred taxation

| | 2020 £ | 2019 £ |
|---------------------------------------|----------------|----------------|
| At beginning of year | 305,077 | 323,952 |
| Credited to profit or loss | 43,192 | 12,336 |
| Charged to other comprehensive income | (95,007) | (31,211) |
| At end of year | 253,262 | 305,077 |

The deferred tax asset is made up as follows:

| | 2020 £ | 2019 £ |
|--------------------------|-----------|-----------|
| Other timing differences | 253,262 | 305,077 |

A deferred tax asset of £253,262 (2019: £305,077) has been recognised at 31 March 2020. Within this asset is £11,012 (2019: £7,339) arising as a result of timing differences relating to provisions and the directors are of the opinion that the asset is recoverable due to taxable profits forecast to be made by the company in the future. The remaining asset relates to the deferred tax asset on the defined benefit pension scheme liability.

20. Share capital

| | 2020 £ | 2019 £ |
|---|-----------|-----------|
| Allotted, called up and fully paid | | |
| 1 (2019 - 1) Ordinary share of £1.00 | 1 | 1 |

The company has one class of ordinary share which carries no right to fixed income.

21. Reserves

Profit and loss account

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

SHAW HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

22. Defined contribution schemes

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The company participates in two defined contribution pension schemes: the Shaw Group Pension Scheme and NEST, the workplace pension scheme set up by the Government for auto-enrolment.

23. Defined benefit schemes

During the year the company participated in the following defined benefit schemes:

Northamptonshire County Council Pension Fund;
Worcestershire County Council Pension Fund; and
West Sussex County Council Pension Fund

The most recent actuarial valuation of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2016. An approximate roll forward of the liabilities of the schemes as at 31 March 2020 has been made by an actuary, taking into account known member movements and other cash flows over the period. The results of this are summarised below.

Reconciliation of present value of plan liabilities:

| | 2020 £ | 2019 £ |
|--|-------------------|-------------------|
| Reconciliation of present value of plan liabilities | | |
| At the beginning of the year | 35,773,181 | 34,183,786 |
| Current service cost | 380,000 | 404,354 |
| Benefits paid | (1,059,000) | (925,000) |
| Contributions from scheme members | 51,000 | 59,000 |
| Actuarial gains and losses | (4,256,181) | 1,169,163 |
| Interest cost | 852,000 | 881,877 |
| Past service cost | 50,000 | - |
| At the end of the year | 31,791,000 | 35,773,180 |

SHAW HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**23. Defined benefit schemes (continued)**

The amounts included in the Balance sheet arising from the company's obligations in respect of defined benefit plans are as follows:

| | 2020 £ | 2019 £ |
|--|--------------------|--------------------|
| Present value of defined benefit obligations | (31,791,000) | (35,773,180) |
| Fair value of plan assets | 33,490,000 | 35,585,000 |
| Asset not recognised due to asset ceiling | (2,973,997) | (1,563,213) |
| Net pension scheme liability | (1,274,997) | (1,751,393) |

The amounts recognised in profit or loss are as follows:

| | 2020 £ | 2019 £ |
|--|------------------|------------------|
| Current service cost | 380,000 | 404,354 |
| Net interest on defined benefit liability/(asset) | 7,000 | 7,877 |
| Other costs and income | 1,000 | 1,000 |
| Total | 388,000 | 413,231 |
| Amounts taken to other comprehensive income | | |
| Actual return on scheme assets | 1,316,000 | (2,247,000) |
| Calculated interest element | 845,000 | 874,000 |
| Actuarial changes related to obligations | (4,256,181) | 1,169,163 |
| Movement in unrecognised plan surplus | 1,410,786 | 20,243 |
| | (684,395) | (183,594) |

SHAW HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

23. Defined benefit schemes (continued)

Reconciliation of fair value of plan assets were as follows:

| | 2020 £ | 2019 £ |
|--|-------------------|-------------------|
| Opening fair value of scheme assets | 35,585,000 | 33,948,000 |
| Interest income | 845,000 | 874,000 |
| Return on plan assets (excluding amounts included in net interest) | (2,161,000) | 1,373,000 |
| Benefits paid | (1,059,000) | (925,000) |
| Contributions by employer | 230,000 | 257,000 |
| Contributions by scheme members | 51,000 | 59,000 |
| Non-investment expenses | (1,000) | (1,000) |
| | <u>33,490,000</u> | <u>35,585,000</u> |

| | 2020 £ | 2019 £ |
|--|-------------------|-------------------|
| Fair value of plan assets at the reporting period end | | |
| Equity instruments | 19,089,300 | 22,062,000 |
| Property | 3,014,000 | 2,846,800 |
| Bonds | 9,042,400 | 8,540,400 |
| Other bonds | 334,900 | 355,850 |
| Cash | 1,339,600 | 1,067,550 |
| Other | 669,800 | 712,400 |
| | <u>33,490,000</u> | <u>35,585,000</u> |

SHAW HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

23. Defined benefit schemes (continued)

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

| | 2020 | 2019 |
|--|-------------------|-------------|
| Discount rate | 2.3% | 2.4% |
| Expected rate of increase of pensions in payment | 1.9% | 2.4% |
| Expected rate of salary increases | 2.1% | 2.6% |
| Inflation assumption | 1.9% | 2.4% |
| Mortality rates | | |
| - for a male aged 65 now | 22.1 years | 22.9 years |
| - at 65 for a male aged 45 now | 23.2 years | 25.1 years |
| - for a female aged 65 now | 24.2 years | 24.9 years |
| - at 65 for a female member aged 45 now | 25.9 years | 27.3 years |

24. Related party transactions

At the year end amounts due from The Shaw Foundation were £4,647 (2019: £Nil) included within trade debtors.

The company has taken advantage of the exemption available under FRS 102 from disclosing transactions and balances with other wholly owned group companies that form part of the Shaw healthcare (Group) Limited group.

Key management personnel are consistent with directors. The directors are remunerated by Shaw healthcare (Group) Limited for their services to the group as whole.

25. Controlling party

The parent company and ultimate controlling party is Shaw Healthcare (Group) Limited, a company incorporated and registered in England and Wales. The smallest and largest group for which consolidated financial statements are prepared which include the results of the company is headed by Shaw healthcare (Group) Limited, the financial statements of which are available from 1 Links Court, Links Business Park, St Mellons, Cardiff CF3 0LT.