

Anchor Carehomes Limited

(Registered number 04598002)

**Financial Statements
for the year ended 31 March 2020**



Contents

| | |
|--|----------------|
| Board and Advisers | 3 |
| Strategic Report | 4 - 7 |
| Directors' report | 8 - 9 |
| Statement of directors' responsibilities | 10 |
| Independent auditor's report to the members of Anchor Carehomes Limited | 11 - 13 |
| Statement of Comprehensive Income | 14 |
| Statement of Financial Position | 15 |
| Statement of Changes in Equity | 16 |
| Notes to the financial statements | 17 - 28 |

Board and Advisers

Directors

Jane Ashcroft CBE
Sarah Jones
Mark Curran
Mark Greaves
Christopher Munday
Rona Nicholson (resigned 31 December 2019)
Kathryn Smith
Simon Glucina

Company Secretary

Mary Keane (resigned 30 April 2020)
Michelle Holt (appointed 1 May 2020)

External Auditors

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

Solicitors

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Registered Office

The Heals Building
Suites A&B
Third Floor
22-24 Torrington Place
London
WC1E 7HJ

Bankers

Santander UK plc
17 Ulster Terrace
Regents Park
London
NW1 4PJ

Strategic Report

The directors present their strategic report on the Company for the year ended 31 March 2020.

Principal Activity

The principal activity of the Company in the year under review was provision of care home services.

Review of the business

During the year the Company operated 24 mature purpose-built residential care homes in England.

The homes focus on offering high quality care and market leading value for money in best-in-class care home buildings. The Company continues to achieve market-leading levels of occupancy.

The Company is financed by a combination of a term loan facility from Legal & General Investment Management Limited ("LGIM") and loans from Anchor Hanover Group, its ultimate parent. The loan facility from LGIM is secured by legal charge over each of the freehold care home properties owned by the Company and the shares in its subsidiaries and by fixed and floating debentures over the assets and undertakings of all of the companies in the Anchor Carehomes Group.

At 31 March 2020 the Company had net liabilities of £3,741,203 (2019: net liabilities of £1,011,862).

Key performance indicators

The business considers its key performance indicators to be as follows:

| | 2020 £ | 2019 £ |
|-----------------------------|------------|-------------|
| Revenue | 39,601,334 | 36,641,885 |
| Operating profit / (loss) | 405,675 | (1,820,256) |
| Average number of employees | 1,251 | 1,226 |

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The principal uncertainty currently facing Anchor Carehomes relates to the impact of the Covid-19 pandemic. The board continue to monitor the pandemic, including UK Government advice, and acknowledge that the Company faces a prolonged period of uncertainty. The evolving nature of the situation means that it is not possible to accurately quantify the financial impact; however, the Company is in a good financial position in respect of managing this risk.

Anchor Carehomes is acting on an ongoing basis to minimise the effect that the crisis will have on the Company's colleagues and residents. The business is reliant on funding from its ultimate parent company, Anchor Hanover Group and therefore its key financial risks are those risks impacting Anchor Hanover Group. Key risks and uncertainties in this area include significant external financial events, beyond the control of management, impacting the Company's ability to deliver its services in a cost-effective manner, and constraining future growth plans. This is mitigated by way of extensive financial forecasting and monitoring through KPIs, flexible and responsive funding arrangements in place and frequent stress testing of forecasts. Key market challenges include over provision of therein and cheaper services offered by other providers, albeit potentially of lower quality. Detailed reports relating to market and competitor movements are regularly reviewed, including sector reports. Additional financial support options are also available to customers where required.

Delivering the best service to customers is of paramount importance yet the needs of both existing and potential customers continue to increase in complexity, leading to greater challenges in areas of safeguarding and care delivery. Reduced funding within the care sector presents the business with the challenge of delivering 'more for less'.

A failure to attract and retain employees of sufficient quality could prevent the Company from achieving its long-term objectives. This is addressed by monitoring to ensure salaries and overall reward packages remain attractive while providing development opportunities within the Company. Risks are further mitigated by exit interviews, an annual staff survey and the regular monitoring of employment statistics such as turnover and absence.

The Care Act 2014 came into force on 1 April 2015. The act overhauls the care system in England, reforming and streamlining much of the legislation on access to, administration of, and responsibilities for care services. Parts of the legislation have yet to be implemented and the impact of the legislation has yet to be felt. Changes to the way care services are commissioned could have an adverse financial impact on the business. The business seeks to mitigate these risks through differentiated fee rates for differing levels of service, close relationships with local authorities and clear guidance to customers on the operation of the Care Act 2014.

Section 172 Statement

Under Section 172(1) of The Companies Act 2006, a director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to;

- the likely consequence of any decision in the long term
- the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of the company's operations on the community and the environment
- the desirability of the company maintaining a reputation for high standards of business conduct
- the need to act fairly between members of the company.

The Directors of Anchor Carehomes Limited consider the interests of the Company's customers, employees, commissioners and regulators and investors when making decisions, alongside the impact of the Company's activities on the wider community, the environment and its reputation as a provider.

Engagement with key stakeholders

- **Customers:** All our customers are treated as individuals, unique and with a rich history. We engage regularly with customers and their families on personalised care plans, looking for opportunities to build on their strengths and abilities.

Our 'Inspire' innovative care home-led service improvement framework defines and delivers high-quality standards across four key aspects of care delivery: Food and Nutrition, Wellness, Environment and Culture, and Care Practice.

The impact of this can be seen in the Company's 'Your Care' ratings. The annual surveys of care home residents and their families were undertaken between September and November 2019. The rating for the Company were an average 848/1000 for friends and family, and 900/1000 for customers.

- **Employees:** The ability to attract and retain caring and competent colleagues is very important to the Company and the Directors monitor salaries and overall reward packages to ensure that they remain attractive. Colleagues receive training and career development opportunities within the Company.

During the year the Directors decided to continue the policy to pay a premium above the National Living Wage hourly rate, maintaining differentials in pay between employee grades, and introduced a new awards scheme to recognise the dedication and commitment of colleagues studying for an apprenticeship.

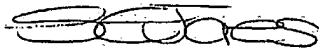
- **Local Authority Commissioners:** The Directors ensure that Commissioners have access to high quality services to enable them to fulfil their obligations to potential

residents. This engagement supports the ongoing viability of the Company by optimising resident occupancy. The Company engages with Local Authority Commissioners through regular meetings and contractual and quality frameworks, contributing to local planning and operating within local safeguarding arrangements.

- **Regulators:** the homes in the Company form part of the registration for Anchor Hanover Group with Care Quality Commission. Anchor Hanover Group has the highest proportion of services rates as 'good' or 'outstanding' by CQC amongst England's largest providers at 94.4%. 100% of the Company's care homes are rated as good' or 'outstanding' as at March 2020, with four achieving the 'outstanding' rating. The Company engages proactively with the Regulator to ensure that its continue to meet high quality standards.

Investors: The acquisition of the homes within the Company was funded by loans from Anchor Hanover Group and LGIM Commercial Lending Ltd. The Directors regularly review the financial performance of the Company and provide information as to its ongoing viability and ability to service its debts.

By Order of the Board



Sarah Jones
Director
20 July 2020

Directors' report

Review of the business

A review of the business is provided within the Strategic Report.

Directors

The directors at 31 March 2020 and who held office during the year were as follows:

Jane Ashcroft CBE
Sarah Jones
Mark Curran
Mark Greaves
Christopher Munday
Kathryn Smith
Simon Glucina

Employment

The Company is committed to an active equal opportunities policy from recruitment and selection, through training and development, performance reviews and promotion, to retirement. It is the Company's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion.

The Company's policy is that people with disabilities should have full and fair consideration for all vacancies. The Company interviews people with disabilities for any vacancy where they fulfil the minimum criteria. The Company also endeavours to retain employees in the workforce if they become disabled during employment. The Company will actively retrain and adjust their environment where possible to allow them to maximise their potential.

Health and safety

The Company is committed to providing a safe and healthy environment for all its employees and others affected by its activities.

Donations

The Company has made no charitable or political donations or incurred any political expenditure during the year (2019: £nil).

Post year end events

There were no post year end events.

Going concern

After making enquiries and examining major areas which could give rise to significant financial exposure, the directors are satisfied that no material or significant exposures exist on than as reflected in these Financial Statements and that the Company has adequate resources to continue its operations for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these financial statements.

The World Health Organisation classed Covid-19 as a pandemic on 11 March 2020. Following that announcement, the UK Government introduced various measures to address the impact in the UK resulting in lockdown from 23 March 2020. Our management team moved swiftly to implement our business continuity plans, and we thank our colleagues, our local authority partners, our key suppliers and development partners for working with us to make a proactive response during that period.

There was no impact on the financial position of the Company in the year ended 31 March 2020.

The unprecedented impact of the Covid-19 pandemic on the UK and globally understandably overshadowed the end of the 2019/20 financial year for many organisations, as well as bringing concern and loss to families and communities across the country. Our sympathies continue to be with residents, their relatives and our colleagues who have lost loved ones as a result of the virus.

The UK continues to evolve in response to the challenges of Covid-19 and we continue to take proactive steps to ensure that we are well-positioned.

Construction was only briefly paused on sites in March and April and sales completions have continued in line with expectations. Work is now continuing on all of our development sites and sales values within this financial year are completing in line with budgeted expectations.

Auditor

The auditors, BDO LLP will be proposed for re-appointment at the forthcoming Annual General Meeting.

Disclosure of information to auditor

Each director has taken appropriate steps to identify relevant audit information and establish that the Company's auditor is aware of that information. The directors confirm, as far as they are aware, that there is no relevant audit information of which the Company's auditor is unaware.

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.

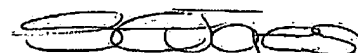
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By Order of the Board



Sarah Jones
Director
20 July 2020

Independent auditor's report to the members of Anchor Carehomes Limited

Opinion

We have audited the financial statements of Anchor Care homes Limited ("the Company") for the year ended 31 March 2020 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and , and the 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.

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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, 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.~~

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

Matters on which we are required to report by exception

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 and Directors' report.

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

As explained more fully in the Statement of Directors Responsibilities, 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.

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: <https://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.



Philip Cliftlands (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick, UK

Date: 7 August 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income

for the year ended 31 March 2020

| | Note | 2020 £ | 2019 £ |
|---|------|---------------------------|---------------------------|
| Turnover | 4 | 39,601,334 | 36,641,885 |
| Cost of sales | | <u>(28,576,276)</u> | <u>(26,750,103)</u> |
| Gross Profit | | 11,025,058 | 9,891,782 |
| Administrative expenses | | <u>(10,619,383)</u> | <u>(11,712,038)</u> |
| Operating profit/(loss) | 7 | 405,675 | (1,820,256) |
| Other interest receivable and similar income | 8 | 10 | 186 |
| Interest payable and similar charges | 9 | <u>(2,381,768)</u> | <u>(2,430,991)</u> |
| Loss on ordinary activities before taxation | | (1,976,083) | (4,251,061) |
| Tax on loss on ordinary activities | 10 | <u>(228,638)</u> | <u>(286,561)</u> |
| Loss and total comprehensive income for the financial year | | <u>(2,204,721)</u> | <u>(4,537,622)</u> |

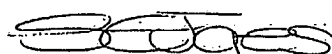
The accompanying accounting policies and notes on pages 17 to 28 form an integral part of these financial statements.

Statement of Financial Position

at 31 March 2020

| | Note | 2020 | 2019 |
|--|------|---------------------------|---------------------------|
| | | £ | £ |
| Fixed assets | | | |
| Tangible assets | 11 | 75,688,545 | 80,748,597 |
| Investments | 12 | 4 | 4 |
| | | <u>75,688,549</u> | <u>80,748,601</u> |
| Current assets | | | |
| Stocks | 13 | 36,000 | 36,000 |
| Debtors | 14 | 5,943,880 | 6,094,912 |
| Cash at bank and in hand | | <u>9,493,099</u> | <u>6,959,365</u> |
| | | <u>15,472,979</u> | <u>13,090,277</u> |
| Creditors: amounts falling due within one year | 16 | <u>(8,323,821)</u> | <u>(8,324,231)</u> |
| Net current assets | | <u>7,149,158</u> | <u>4,766,046</u> |
| Total assets less current liabilities | | <u>82,837,707</u> | <u>85,514,647</u> |
| Creditors: amounts falling due after more than one year | 17 | <u>(85,646,152)</u> | <u>(85,580,777)</u> |
| Provisions for Liabilities | 18 | <u>(932,758)</u> | <u>(945,732)</u> |
| Net (liabilities) / assets | | <u><u>(3,741,203)</u></u> | <u><u>(1,011,862)</u></u> |
| Capital and reserves | | | |
| Called up share capital | 20 | 13,539,652 | 13,539,652 |
| Revaluation Reserve | 24 | 3,976,495 | 4,617,403 |
| Profit and loss account | 24 | <u>(21,257,350)</u> | <u>(19,168,917)</u> |
| Shareholders' funds | | <u><u>(3,741,203)</u></u> | <u><u>(1,011,862)</u></u> |

These financial statements were approved by the board of directors on 20 July 2020 and were signed on its behalf by:



Sarah Jones
Director

Company registered number: 04598002

Statement of Changes in Equity

for the year ended 31 March 2020

| | Called up Share capital | Revaluation reserve | Profit and loss account | Total shareholder's equity |
|---|-------------------------------|------------------------|-------------------------------|----------------------------------|
| | £ | £ | £ | £ |
| Balance at 1 April 2018 | 13,539,652 | 4,724,690 | (14,738,582) | 3,525,760 |
| Total comprehensive income for the year | - | - | (4,537,622) | (4,537,622) |
| Reserves transfer | - | (107,287) | 107,287 | - |
| Balance at 31 March 2019 | 13,539,652 | 4,617,403 | (19,168,917) | (1,011,862) |
| Total comprehensive income for the year | - | - | (2,204,721) | (2,204,721) |
| Reserves transfer | - | (116,288) | 116,288 | - |
| Decrease in valuation | - | (524,620) | - | (524,620) |
| Balance at 31 March 2020 | 13,539,652 | 3,976,495 | (21,257,350) | (3,741,203) |

Notes to the financial statements

1. General information

Anchor Carehomes Limited (the "Company") provides residential care for the elderly in England.

The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is: The Heals Building, Suites A & B, Third Floor, 22-24 Torrington Place, London, WC1E 7HJ.

2. Statement of compliance

The individual financial statements of Anchor Carehomes Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Company's financial statements.

i.) Basis of preparation

The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

ii.) Going Concern

The Company meets its day-to-day working capital requirements through a loan facility provided by the parent company, Anchor Hanover Group. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

iii.) Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these

estimates relate to technological and changes to regulations which may require more frequent replacement of key components.

iv.) Exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions. The company has taken advantage of the following:

- No cashflow statement has been presented for the company;
- Disclosures in respect of the company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the company as their remuneration is included in the totals of the group as a whole; and
- Related party transactions entered into between two or more members of the group.

v.) Revenue recognition

Revenue is recognised at the point at which services are supplied to residents. Where services are performed gradually over time, revenue is recognised as the activity progresses by reference to the value of the services provided.

vi.) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold properties includes the cost of acquiring land and buildings, construction costs including internal equipment and fittings, interest charges incurred during the development period and expenditure incurred in respect of improvements and extension of existing properties to the extent that it enhances the economic benefit derived from the assets.

The costs of housing properties are split between the structure and those major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life which has been set taking into account professional advice, the Company's asset management strategy and the requirements of the Decent Homes Standard. The lives attributable to assets capitalised in this way range from four to 50 years.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Care homes: between 25 and 50 years except where the economic life of the property is dependent on a revenue support agreement in which case the life used is the initial term of that agreement.
- For individual components the assets lives used are as follows:
 - Bathrooms and kitchens: 10 years
 - Windows: 15 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Housing properties are assessed for impairment indicators annually. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, which is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in income and expenditure. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

vii.) Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in section 11 of FRS 102 are accounted for under an amortised historical cost model.

viii.) Stock

Stock comprises of goods for consumption. Goods for consumption are held at cost, which is considered to be a reasonable approximation to the lower of cost and net realisable value.

ix.) Debtors

Short term debtors are measured at transaction price, less any impairment estimate of the amount required to settle the obligation at the reporting date.

x.) 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.

xi.) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required

to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

xii.) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

xiii.) Related parties

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

xiv.) 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 the annual general meeting.

4. Turnover

Turnover is wholly derived from the provision of residential care for the elderly in England.

5. Staff numbers and costs

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

| | Number of Employees | |
|----------------|---------------------|--------------|
| | 2020 | 2019 |
| Administration | 46 | 48 |
| Care Staff | 943 | 930 |
| Domestic Staff | 262 | 248 |
| | <u>1,251</u> | <u>1,226</u> |

The aggregate payroll costs of these persons were as follows:

| | 2020 | 2019 |
|-----------------------|-------------------|-------------------|
| | £ | £ |
| Wages and Salaries | 21,122,439 | 19,993,671 |
| Social security costs | 1,447,826 | 1,361,836 |
| Other pension costs | <u>1,229,225</u> | <u>790,457</u> |
| | <u>23,799,490</u> | <u>22,145,964</u> |

6. Directors' remuneration

The directors of the Company did not receive any remuneration during the year (2019: £nil).

7. Operating profit / (loss)

The operating profit / (loss) is arrived at after charging:

| | 2020 | 2019 |
|--------------|-----------|-----------|
| | £ | £ |
| Depreciation | 5,538,466 | 6,924,722 |
| Impairment | 412,412 | - |
| Audit fees | 5,160 | 5,160 |

The Company's statutory audit fee was wholly borne by Anchor Hanover Group for the year to 31 March 2020. (2019: same).

8. Interest receivable and similar income

| | 2020 | 2019 |
|--|------|------|
| | £ | £ |
| Interest receivable and similar income | 10 | 186 |

9. Interest payable and similar charges

| | 2020 | 2019 |
|---------------------------|-----------|-----------|
| | £ | £ |
| Loans and bank overdrafts | 2,381,768 | 2,430,991 |

10. Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity:

| | 2020 £ | 2019 £ |
|--|----------------|----------------|
| Total current tax | - | - |
| <i>Deferred tax (see note 15)</i> | | |
| Origination and reversal of timing differences | 230,430 | 282,072 |
| Change in tax rate | (8,479) | - |
| Prior year adjustment | 6,687 | 4,489 |
| Total tax | 228,638 | 286,561 |
| Recognised in profit and loss account | 241,613 | 308,536 |
| Recognised in revaluation reserve | (12,975) | (21,975) |
| | 228,638 | 286,561 |

Reconciliation of effective tax rate

| | 2020 £ | 2019 £ |
|---|----------------|----------------|
| Profit / (loss) on ordinary activities before tax | (1,976,083) | (4,251,061) |
| Tax on profit / (loss) on ordinary activities at 19% (2019: 19%) | (375,456) | (807,702) |
| <i>Effects of:</i> | | |
| Fixed asset permanent differences | 962,865 | 1,176,805 |
| Fixed asset timing differences | (410,806) | (339,818) |
| Short term timing differences | 7,062 | |
| Exceptional items | - | - |
| Utilisation of brought forward tax losses | - | (29,286) |
| Expenses not deductible for tax purposes | 149,860 | |
| Group relief | (333,525) | |
| Adjustments to deferred tax charge in respect of previous periods | 6,687 | 4,489 |
| Origination/reversal of timing differences | 230,430 | 282,072 |
| Effect of increased/decreased tax rate | (8,479) | - |
| De-recognition of deferred tax on tax losses not utilised | - | - |
| Dividends received from subsidiary companies | - | - |
| Total tax expense included in profit or loss | 228,638 | 286,561 |

Factors affecting tax charge for future periods

Reductions in the UK corporation tax rate of 19% (effective from 1 April 2017) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 March 2020 has been calculated at 19% (2019: 17%).

11. Tangible fixed assets

| | Freehold Property | Fixtures and Fittings | Total |
|------------------------|----------------------|--------------------------|--------------------|
| COST | £ | £ | £ |
| At 1st April 2019 | 101,555,885 | 5,190,949 | 106,746,834 |
| Additions | 1,306,774 | 153,424 | 1,460,198 |
| Revaluation decrease | (524,620) | - | (524,620) |
| Disposals | (153,489) | (3,832) | (157,321) |
| At 31st March 2020 | <u>102,184,550</u> | <u>5,340,541</u> | <u>107,525,091</u> |
| DEPRECIATION | | | |
| At 1st April 2019 | 21,762,795 | 4,235,442 | 25,998,237 |
| Charge for year | 5,067,713 | 470,753 | 5,538,466 |
| Impairment | 412,412 | - | 412,412 |
| Eliminated on disposal | (109,802) | (2,767) | (112,569) |
| At 31st March 2020 | <u>27,133,118</u> | <u>4,703,428</u> | <u>31,836,546</u> |
| NET BOOK VALUE | | | |
| At 31st March 2020 | <u>75,051,432</u> | <u>637,113</u> | <u>75,688,545</u> |
| At 31st March 2019 | <u>79,793,090</u> | <u>955,507</u> | <u>80,748,597</u> |

Included in the cost of land and buildings is freehold land of £14,772,633 (2019: Same) which is not depreciated.

12. Fixed Asset Investments

| Cost and net book value | Shares in group undertakings |
|-------------------------------------|------------------------------------|
| £ | £ |
| At 1st April 2019 and 31 March 2020 | 4 |

The Company's investment at the balance sheet date consists of 100% of the issued share capital of the following companies:

| Company | Nature of business | Share capital |
|---------------------------------------|--------------------|---------------|
| Anchor Carehomes (Leeds) Limited | Dormant | £1 |
| Anchor Carehomes (North East) Limited | Dormant | £1 |
| Anchor Carehomes (North West) Limited | Dormant | £1 |
| Anchor Carehomes (Hyde) Limited | Dormant | £1 |

All of these companies are private limited companies registered in England and Wales.

13. Stock

| | 2020 | 2019 |
|-------------------------------|---------------|---------------|
| | £ | £ |
| Raw materials and consumables | <u>36,000</u> | <u>36,000</u> |

14. Debtors

| | 2020 | 2019 |
|---------------------------------------|-------------------------|-------------------------|
| | £ | £ |
| Trade debtors | 4,071,458 | 3,604,616 |
| Other debtors | 16,556 | 36,988 |
| Prepayments and accrued income | <u>1,079,671</u> | <u>1,435,501</u> |
| Due within one year | 5,167,685 | 5,077,105 |
| | | |
| Deferred taxation assets (see note 9) | 776,195 | 1,017,808 |
| Amounts owed by group undertakings | <u>-</u> | <u>-</u> |
| Due more than one year | 776,195 | 1,017,808 |
| | <u>5,943,880</u> | <u>6,094,913</u> |

15. Deferred Tax

| | 2020 | 2019 |
|--|-----------------------|-------------------------|
| | £ | £ |
| Decelerated capital allowances | 796,827 | 1,017,808 |
| Short term timing differences | <u>(20,632)</u> | <u>-</u> |
| Total deferred tax assets | <u>776,195</u> | <u>1,017,808</u> |
| | | |
| Provision for liabilities and charges | | |
| Revaluation of tangible fixed assets | <u>932,758</u> | <u>945,733</u> |

16. Creditors: amounts falling due within one year

| | 2020 | 2019 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Bank Loans and overdrafts | 1,250,000 | 1,000,000 |
| Trade Creditors | 1,727,534 | 1,485,677 |
| Amounts owed to group undertakings | - | 996,151 |
| Social security and other taxes | 287,282 | 257,701 |
| Other creditors | 31,734 | 82,775 |
| Accruals and deferred income | 5,027,271 | 4,501,927 |
| | <u>8,323,821</u> | <u>8,324,231</u> |

17. Creditors: amounts falling after more than one year

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | £ | £ |
| Bank Loans | 18,525,000 | 19,525,000 |
| Amounts owed to group undertakings | 67,121,152 | 66,055,777 |
| Amounts owed to participating interests | - | - |
| | <u>85,646,152</u> | <u>85,580,777</u> |

Anchor Hanover Group and other members of the group have provided loans to the Company. Interest has been charged on these facilities at a rate of 1% - 1.25% above base rate of Lloyds Bank PLC. The above balances represent the amount drawn down as at 31 March 2020 plus accrued interest.

18. Provisions for liabilities and charges

| | Deferred Tax £ |
|---------------------------------|-----------------------|
| Balance at 1 April 2019 | 945,732 |
| Utilised in the year | <u>(12,974)</u> |
| Balance at 31 March 2020 | <u>932,758</u> |

19. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

| | | 2020 | 2019 |
|------|---------------------------|-------------------|-------------------|
| | | £ | £ |
| LGIM | Interest Payable at 5.08% | 19,775,000 | 20,525,000 |
| | | <u>19,775,000</u> | <u>20,525,000</u> |

Based on the lender's earliest repayment date, borrowings are repayable as follows:

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | £ | £ |
| In one year or less | 1,250,000 | 1,000,000 |
| Greater than one year, but less than five | 18,525,000 | 4,000,000 |
| In five years or more | - | 15,525,000 |
| | <u>19,775,000</u> | <u>20,525,000</u> |

The LGIM loan is secured by way of a fixed and floating debenture issued by the Company, legal charges over the shares in Anchor Carehomes Limited held by Anchor Carehomes Group Limited and over the shares in the Company's subsidiaries and unlimited guarantees from Anchor Carehomes Group Limited and the Company's subsidiaries.

20. Share Capital

| Authorised, issued, allotted and fully paid: | Number of Ordinary Shares | Nominal Value | £ |
|--|---------------------------|---------------|------------|
| At 1 April 2019 | 13,539,652 | £1 | 13,539,552 |
| At 31 March 2020 | 13,539,652 | £1 | 13,539,552 |

Ordinary shares were issued in the year to Anchor Carehomes Group Limited and settled through intercompany loans.

21. Related party transactions

The Company is exempt from disclosing related party transactions with other group companies that are wholly owned within the Anchor Hanover Group. There are no other related party transactions to disclose (2019: £nil).

22. Post balance sheet events

There are not post balance sheet events.

23. Contingent Liabilities

There were no contingent liabilities as at 31 March 2020 (2019: £nil).

24. Reserves

Share capital – represents the nominal value of shares that have been issued.

Revaluation Reserve – represents the surpluses on housing property revaluations prior to the transition to FRS 102

Profit and loss account – includes all current and prior period retained profits and losses.

25. Controlling parties

The ultimate parent undertaking is Anchor Hanover Group, a community benefit society registered in England and Wales. Copies of the Anchor Hanover Group consolidated financial statements can be obtained from the Company Secretary at: Anchor Hanover Group, The Heals Building, Suites A & B, Third Floor, 22-24 Torrington Place, London, WC1E 7HJ.