CARE Fertility Group Limited

Annual report and consolidated financial statements

Registered number 05423241

31 August 2019

Contents

Officers and professional advisers

The board of directors	Dr SB Fishel Mr DB Burford Mrs A Campbell Mr PD Brame
Business address and Registered office	John Webster House 6 Lawrence Drive Nottingham Business Park Nottingham NG8 6PZ
Auditor	Ernst & Young LLP No.1 Colmore Square Birmingham B4 6HQ
Bankers	Lloyds Bank Plc Butt Dyke House 33 Park Row Nottingham NG1 6GY

Strategic report

Business review

CARE Fertility Group Limited ('the Company') is a subsidiary of the Rachel Topco Limited (formerly Care Fertility Holdings Limited) group ('the Group'). The Group's Key Performance Indicators are Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA'), clinical success rates and the growth in fresh and frozen IVF cycles.

EBITDA, including joint ventures and excluding exceptional charges, for the Company and its subsidiaries ('the CARE Fertility Group') was £8,076,000 (2018: £7,094,000). The latest publicly available clinical success rates and cycle information can be found on HFEA website.

Risk management

The Group is one of the UK's largest independent fertility healthcare groups and employs a leading team of fertility specialists in the UK, with strong industry links in the UK and overseas. This breadth of resource helps to limit and diversify away from any single individual trading risk.

As a provider of healthcare services, management of clinical risk is extremely important, and the Group has in place a formal risk management policy together with a robust, multi-professional clinical governance policy and programme which ensures that the care of the patient is central to all activities. The Group approaches clinical risk management in many ways including:

- Continuous review of patient outcomes and sharing best practice across the Group to achieve quality improvement including but not limited to clinical pregnancy success rates;
- Recruitment and retention of a highly skilled and qualified team of medical consultants, embryologists and nurses across the Group;
- Peer reviews are undertaken across all disciplines to ensure compliance with Group policies and protocols;
- All treatments undertaken by the Group are performed under a licence issued by the independent regulator, the Human Fertilisation and Embryology Authority (HFEA). The Group works closely with the HFEA in order to ensure that all clinics comply with its regulations and those of other regulatory bodies such as the Care Quality Commission;
- Compliance with guidelines laid down by professional bodies such as the Royal College of Obstetricians and Gynaecologists, the Association of Clinical Embryologists, the British Fertility Society and the National Institute for Clinical Excellence;
- Maintenance of a robust incident reporting system to ensure that all issues and complaints are thoroughly investigated with an open, no-blame and learning culture.

As a leading provider of fertility services, the Group works hard to maintain its position at the forefront of technical advances in the field to continue to offer its patients the most appropriate treatment and the best chance of a successful outcome. Across the Group multi-discipline teams undertake projects to develop best practice and explore new treatments working closely with experts from around the world and forming strategic relationships with key suppliers.

Although there is national guidance from the National Institute for Clinical Excellence covering the public funding of infertility treatment, the actual provision of funding across the UK can be variable. The Group mitigates this risk by securing contracts with NHS commissioning bodies and offering private and NHS funded patients the same high standard of care.

Strategic report *(continued)*

The Group makes little use of financial instruments other than an operational bank account and short-term treasury deposits so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit or loss of the Group.

As with any Group there is a risk of general or specific adverse trading conditions. The Group regularly reviews its trading results and updates its forecasts to ensure it has sufficient headroom within its secured facilities to accommodate reasonable fluctuations in outturns.

Subsequent to the year end, COVID-19 has had a significant impact on our business. The directors continue to monitor this risk with the priority focus on the wellbeing of our staff and our customers. As explained in the directors' report on going concern and events since the balance sheet date, the Group has positioned itself well to navigate any further impacts of COVID-19 on its operational and financial performance.

Signed on behalf of the directors

D Burford

DB Burford

Director

Approved by the directors on 29 July 2020

Directors' report

The directors present their report and the financial statements of the Care Fertility Group Limited ('the Company') and its subsidiaries ('the CARE Fertility Group') for the year ended 31 August 2019.

Principal activities

The principal activities of the CARE Fertility Group remain the provision of fertility healthcare services and the Company is an investment holding company.

Results and dividends

The profit for the year, after taxation, amounted to £2,307,000 *(2018: £2,925,000)*. The directors have not recommended payment of a final dividend *(2018: £nil)*.

Directors

The directors who served the Company during the year and to the date of this report were as follows:

Dr SB Fishel		
Mr DB Burford		
Mrs A Campbell		
Mr PD Brame	-	appointed 4 April 2019
Mr NMI Robertson	-	resigned 30 September 2019
Mr MKP Grassby	-	resigned 10 May 2019
Mr D Torbet	-	resigned 10 May 2019
Dr K Dowell	-	resigned 10 May 2019

Disabled employees

The CARE Fertility Group considers applications for employment from disabled persons where the candidates' particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled it is the Group policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

Employees are encouraged to present suggestions and views on the performance of the CARE Fertility Group. Regular meetings are held between management and employees to allow a free-flow of information and ideas.

Going concern

The CARE Fertility Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 3. The risk management section of the Strategic report and note 1 include a description of the Group's policies and processes for managing its capital, details of its financial instruments, and its exposure to credit risk and liquidity risk.

The CARE Fertility Group is part of the Rachel Topco Limited trading group ('the Group'), which in turn is part of the CARE Fertility Holdings Limited (previously Royton Topco Limited) group (the 'Parent Group'). The CARE Fertility Group is reliant on group financing facilities continuing to be made available by Rachel Topco Limited. Rachel Topco Limited has agreed to provide sufficient funds to the CARE Fertility Group to enable it to meet its liabilities as they fall due, but only to the extent that money is not otherwise available to you to meet such liabilities, for a period of at least 12 months from the date of signing of these financial statements.

The Board of the Parent Group has considered the impact of the ongoing COVID-19 situation. During the 6 months to February 2020 the trading operations of the Parent Group were experiencing increased demand leading to year on year revenue growth for that period. As the UK went into lockdown as a result of co-ordinated government action to slow the spread of COVID-19 our clinics were forced to close. The resulting closure led to 13 weeks of materially reduced revenues, although operational costs were reduced by accessing government support through furloughing some staff, claiming business rate relief and deferring certain tax payments. On 1 May the government announced its intention that the IVF sector could reopen; this was followed by the HFEA issuing guidance and reopening criteria on 11 May. The trading operations of the Parent Group were then amongst the first to comply with this guidance and subsequently reopened on 12 May. Demand since reopening has been positive albeit not yet back to pre-lockdown levels. It remains too early to ascertain the overall impact on our full year 2020 revenue and profitability.

Directors' report *(continued)*

Going concern *(continued)*

As of 31 August 2019, the Parent Group was funded by a £73m Senior Facilities Agreement ('SFA') which was entered into on 8 April 2019. In the period just prior to the lockdown the Parent Group secured access to the remaining £4m of its Revolving Credit Facility which provided significant liquidity for the Parent Group such that no redundancies or other structural changes were required. The reduction in earnings as a result of COVID-19 could have led to a breach of the SFA agreement, i.e., by not meeting covenant compliance targets. However, on 22 June 2020 the Parent Group secured a revised financing package with its lenders mitigating the risk of any such potential breach.

Key amendments to the SFA included a revision to future covenant testing up to and inclusive of the period ending 31 August 2021, the renegotiation of specific financing terms, and specific conditions associated with future access to the Acquisition Facility. In addition, a waiver of all technical breaches associated with the impact of COVID-19 was granted.

The Board has performed a number of stress tests to assess the Parent Group's ability to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements, with a focus on 1) the sufficiency of liquidity to fund operations, and 2) whether the Parent Group is forecast to be in compliance with these amended covenants.

The directors have prepared forecasts for the Parent Group covering a period through to 31 August 2021. These forecasts reflect an assessment of current and future market conditions and their impact on the Parent Group's future profitability and cashflows. The forecasts have been sensitised for a reduction in revenue to the end of the review period (varying both the steepness of the decline and the length of the recovery phase towards more normal levels of activity) with the impact on profitability and cash flow considered, net of certain expected cost savings given the reduced volumes. The forecasts have also been reverse stress tested with some further cost mitigations, each within the control of the business. The Board has already introduced a reduction in overhead spending and short-term capital investment in order to conserve cash.

In the most severe but plausible scenario forecasted, the Parent Group would still have sufficient profitability to meet its bank covenant requirements and would retain sufficient liquidity to fund operations.

In the reverse stress tested scenario, based on a 18% reduction in revenue for the 12-month outlook period (compared to the Group's COVID-19 adjusted base forecast), the Parent Group would need further mitigating action such as reducing overhead spend permanently and delaying development and capital expenditure. Should it become apparent that trading performance is being affected for a prolonged period, the directors will undertake a further review on discretionary expenditure and capital investment to protect the Parent Group's position.

Having considered all the above, including the Parent Group's current financial position and its willingness to provide financial support to the CARE Fertility Group as needed, the directors remain confident in the long-term future prospects for the CARE Fertility Group and its ability to continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

Events since the Balance Sheet date

The impact of COVID-19 has created uncertainty as to the outlook for the remainder of the financial year and it is still too early to ascertain the impact this may have on our full year 2020 revenue and profitability. To date, there has been a significant impact on revenue given the UK government's requirement to suspend our business operations as the UK went into lockdown on 23 March, a position we agreed with to protect the health, safety and wellbeing of employees and customers alike. This resulted in the gradual winddown to closure of our clinics by 15 April, which we were since able to re-open for business as of 12 May, with protective measures to keep our employees and customers safe.

However, should a further outbreak of COVID-19 result in further restrictions on our ability to operate in some or all of our locations, the directors will undertake a further review on discretionary expenditure and capital investment to protect the Group's liquidity and debt compliance position.

In considering the ongoing impact of COVID-19, the Group will, as part of its usual reporting process, conduct impairment reviews across all cash generating units. The process will be informed by any impact arising from challenging trading environments and macro-economic weakness, exacerbated by the uncertainty created by COVID-19.

Directors' report *(continued)*

Events since the Balance Sheet date *(continued)*

There is the potential should the impact of COVID-19 persist, for write down of fixed assets (goodwill, intangibles, tangible assets and investments) alongside increases in bad debt provisions and debt write offs should customers enter financial difficulty. In response to the risk of increased debt write offs the Group is performing a review of its cash collection processes with the resultant actions being to collect all but NHS debts in advance of treatment.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the board

D Burford

DB Burford

Director

Approved by the directors on 29 July 2020

Statement of directors' responsibilities in respect of the annual report and financial statements

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 Group and parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARE FERTILITY GROUP LIMITED

Opinion

We have audited the financial statements of CARE Fertility Group Limited ('the parent company') and its subsidiaries ('the group') for the year ended 31 August 2019 which comprise the Consolidated profit and loss account, the Consolidated statement of other comprehensive income, the Consolidated and Company balance sheets, the Consolidated and Company statements of changes in equity, the Consolidated cash flow statement and the related notes 1 to 28, 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 FRS 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 group's and of the parent company's affairs as at 31 August 2019 and of the group's profit 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 below. We are independent of the group and parent 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.

Emphasis of matter

We draw attention to notes 1 and 28 of the financial statements, which describe the economic and operational consequences the company is facing as a result of COVID-19 which is impacting customer demand, profitability and liquidity, together with personnel being able to access offices. Our opinion is not modified in respect of this matter.

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 group's or the parent 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 other information comprises the information included in the annual report set out on pages 1 to 7, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the 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 CARE FERTILITY GROUP 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 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities 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.

Ernst & Young LLP

Adrian Roberts (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
29 July 2020

Consolidated profit and loss account
for year ended 31 August 2019

	Note	2019 £000	2018 £000
Turnover	2	40,576	34,950
Raw materials and consumables	12	(5,214)	(4,158)
Staff costs	4	(16,320)	(14,613)
Other operating expenses		(13,261)	(11,128)
Other operating expenses – goodwill amortisation	9	(2,496)	(1,840)
Other operating expenses – exceptional	3	(785)	(157)
Total operating expenses		(16,542)	(13,125)
Operating profit	3	2,500	3,054
Group's share of profit in joint ventures	11	450	426
Total operating profit		2,950	3,480
Profit on disposal of fixed assets	10	2	-
Interest receivable and similar income	6	45	57
Interest payable	7	(19)	(10)
Profit before taxation		2,978	3,527
Tax charge on profit	8	(671)	(602)
Profit for the financial year		2,307	2,925
Attributable to:			
Group		2,503	2,990
Minority interest		(196)	(65)
		2,307	2,925

The Group had no discontinued operations in either year.

In the current year the Company acquired Bath Fertility Centre Limited and its dormant subsidiaries Bristol IVF Centre Limited, Bath Fertility Clinic Limited, Bath Fertility Limited and Bath IVF Limited on 7 February 2019 and CARE Fertility Tamworth Limited on 3 June 2019.

Consolidated statement of other comprehensive income
for year ended 31 August 2019

	Note	2019 £000	2018 £000
Profit for the year		**2,307**	2,925
Other comprehensive (expense)/income			
Foreign exchange differences on translation of foreign operations		**(4)**	39
Other comprehensive (expense)/income for the year, net of income tax		**(4)**	39
Total comprehensive income for the year		**2,303**	2,964
Total comprehensive income for the year attributable to:			
Group		**2,499**	3,029
Minority interest		**(196)**	(65)
		2,303	2,964

Consolidated balance sheet
at 31 August 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Intangible assets	*9*		28,591		22,733
Tangible assets	*10*		9,807		8,735
Investments in joint ventures	*11*		188		322
			38,586		31,790
Current assets					
Stocks	*12*	915		492	
Debtors	*13*	5,370		6,689	
Cash at bank and in hand	*14*	2,202		1,003	
		8,487		8,184	
Creditors: amounts falling due within one year	*15*	(8,925)		(8,460)	
Net current liabilities			(438)		(276)
Total assets less current liabilities			38,148		31,514
Creditors: amounts falling due after more than one year	*16*	(6,147)		(3,140)	
Provisions for liabilities					
Deferred tax liability	*17*	(733)		(659)	
Other provisions	*18*	(2,174)		(952)	
			(9,054)		(4,751)
Net assets			29,094		26,763
Capital and reserves					
Called up share capital	*20*		1		1
Share premium account	*20*		312		312
Capital redemption reserve			53		50
Profit and loss account			29,137		26,638
Equity attributable to the parent's shareholder			29,503		27,001
Minority interest			(409)		(238)
Shareholders' funds			29,094		26,763

These financial statements were approved by the board of directors on 29 July 2020 and were signed on its behalf by:

PD Brame
Director

Company registered number: 05423241

Company balance sheet
at 31 August 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Investments	*11*		27,801		20,510
Current assets					
Debtors	*13*	12,100		15,494	
Cash at bank and in hand	*14*	366		147	
		12,466		15,641	
Creditors: amounts falling due within one year	*15*	(32,297)		(31,298)	
Net current liabilities			(19,831)		(15,657)
Total assets less current liabilities			7,970		4,853
Creditors: amounts falling due after more than one year	*16*		(5,962)		(2,960)
Net assets			2,008		1,893
Capital and reserves					
Called up share capital	*20*		1		1
Share premium account	*20*		312		312
Capital redemption reserve			50		50
Profit and loss account			1,645		1,530
Shareholders' funds			2,008		1,893

As permitted by Section 406 of the Companies Act 2006, a separate profit and loss account of the parent Company has not been presented. The parent Company's profit for the financial year is £115,000 *(2018: £1,022,000)*.

These financial statements were approved by the board of directors on 29 July 2020 and were signed on its behalf by:

PD Brame
Director

Company registered number: 05423241

Consolidated statement of changes in equity

	Called up share capital £000	Share premium account £000	Capital redemp-tion reserve £000	Profit and loss account £000	Minority interest £000	Total equity £000
Balance at 1 September 2017	1	312	50	23,609	(173)	23,799
Total comprehensive income for the period						
Profit for the year	-	-	-	2,990	(65)	2,925
Other comprehensive income						
Foreign exchange differences on translation of foreign operations	-	-	-	39	-	39
Total comprehensive income for the period	-	-	-	3,029	(65)	2,964
Balance at 31 August 2018	**1**	**312**	**50**	**26,638**	**(238)**	**26,763**

	Called up share capital £000	Share premium account £000	Capital redemp-tion reserve £000	Profit and loss account £000	Minority interest £000	Total equity £000
Balance at 1 September 2018	1	312	50	26,638	(238)	26,763
Total comprehensive income for the period						
Profit for the year	-	-	-	2,503	(196)	2,307
Other comprehensive income						
Foreign exchange differences on translation of foreign operations	-	-	-	(4)	-	(4)
Total comprehensive income for the period	-	-	-	2,499	(196)	2,303
Total transactions with owners, recognised directly in equity						
Shares issued to minority interest and associated share premium	-	-	-	-	25	25
Acquired capital redemption reserve	-	-	3	-	-	3
Total transactions with owners, recognised directly in equity	-	-	3	-	25	28
Balance at 31 August 2019	**1**	**312**	**53**	**29,137**	**(409)**	**29,094**

Company statement of changes in equity

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 September 2017	1	312	50	508	871
Total comprehensive income for the period					
Profit for the year	-	-	-	1,022	1,022
Balance at 31 August 2018	**1**	**312**	**50**	**1,530**	**1,893**

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 September 2018	1	312	50	1,530	1,893
Total comprehensive income for the period					
Profit for the year	-	-	-	115	115
Balance at 31 August 2019	**1**	**312**	**50**	**1,645**	**2,008**

Consolidated cash flow statement
for year ended 31 August 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Profit for the year		**2,307**	2,925
Adjustments for:			
Depreciation and amortisation		**4,176**	3,360
Profit on disposal of fixed assets		**(2)**	-
Share of joint venture income		**(450)**	(426)
Write back of joint venture loan impairment		**-**	(627)
Research and development tax credits		**(54)**	(147)
Foreign exchange		**(6)**	52
Interest income		**(20)**	(47)
Tax		**671**	602
		6,622	5,692
Increase in trade and other debtors		**(2,746)**	(2,936)
Increase in stocks		**(350)**	(225)
(Decrease)/increase in trade and other creditors		**(140)**	269
		3,386	2,800
Interest received		**98**	38
Interest paid		**1**	-
Tax paid		**(862)**	(1)
Net cash from operating activities		**2,623**	2,837
Cash flows from investing activities			
Acquisition of tangible fixed assets		**(1,343)**	(1,250)
Acquisition of intangible fixed assets		**(123)**	(168)
Net proceeds from disposal of tangible fixed assets		**2**	-
Acquisition of shares in Bath Fertility Centre Limited (net of cash held)		**(293)**	-
Acquisition of shares in IVI Midland Limited (net of cash held)		**20**	-
Acquisition of shares in Zita West Assisted Fertility Limited (net of cash held)		**-**	(376)
Deferred consideration in respect of Zita West Assisted Fertility Limited		**(302)**	-
Deferred consideration in respect of South East Fertility Clinic Limited		**-**	(1,200)
Repayment of joint venture loan		**585**	259
Net cash from investing activities		**(1,454)**	(2,735)
Cash flows from financing activities			
Net proceeds from issue of shares		**25**	-
Net proceeds from issue of other debt		**5**	-
Directors loan account		**-**	(55)
Net cash from financing activities		**30**	(55)
Net increase in cash and cash equivalents		**1,199**	47
Cash and cash equivalents at 1 September		**1,003**	956
Cash and cash equivalents at 31 August	*14*	**2,202**	1,003

Notes
(forming part of the financial statements)

1 Accounting policies

CARE Fertility Group Limited ('the Company') is a company limited by shares and incorporated and domiciled in the UK. The registered number is 05423241 and the registered address is John Webster House, 6 Lawrence Drive, Nottingham Business Park, Nottingham, NG8 6PZ.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ('FRS 102') as issued in September 2015. The amendments to FRS 102 issued in March 2016, December 2016 and May 2017 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000 apart from those in note 20.

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

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time;
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis except that the derivative financial instruments are stated at their fair value.

1.2. Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 3. The risk management section of the Strategic report and note 1 include a description of the Group's policies and processes for managing its capital, details of its financial instruments, and its exposure to credit risk and liquidity risk.

The Group is part of the Rachel Topco Limited trading group, which in turn is part of the CARE Fertility Holdings Limited (previously Royton Topco Limited) group (the 'Parent Group'). The Group is reliant on group financing facilities continuing to be made available by Rachel Topco Limited. Rachel Topco Limited has agreed to provide sufficient funds to the Group to enable it to meet its liabilities as they fall due, but only to the extent that money is not otherwise available to you to meet such liabilities, for a period of at least 12 months from the date of signing of these financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2. Going concern (continued)

The Board of the Parent Group has considered the impact of the ongoing COVID-19 situation. During the 6 months to February 2020 the trading operations of the Parent Group were experiencing increased demand leading to year on year revenue growth for that period. As the UK went into lockdown as a result of co-ordinated government action to slow the spread of COVID-19 our clinics were forced to close. The resulting closure led to 13 weeks of materially reduced revenues, although operational costs were reduced by accessing government support through furloughing some staff, claiming business rate relief and deferring certain tax payments. On 1 May the government announced its intention that the IVF sector could reopen; this was followed by the HFEA issuing guidance and reopening criteria on 11 May. The trading operations of the Parent Group were then amongst the first to comply with this guidance and subsequently reopened on 12 May. Demand since reopening has been positive albeit not yet back to pre-lockdown levels. It remains too early to ascertain the overall impact on our full year 2020 revenue and profitability.

As of 31 August 2019, the Parent Group was funded by a £73m Senior Facilities Agreement ('SFA') which was entered into on 8 April 2019. In the period just prior to the lockdown the Parent Group secured access to the remaining £4m of its Revolving Credit Facility which provided significant liquidity for the Parent Group such that no redundancies or other structural changes were required. The reduction in earnings as a result of COVID-19 could have led to a breach of the SFA agreement, i.e., by not meeting covenant compliance targets. However, on 22 June 2020 the Parent Group secured a revised financing package with its lenders mitigating the risk of any such potential breach.

Key amendments to the SFA included a revision to future covenant testing up to and inclusive of the period ending 31 August 2021, the renegotiation of specific financing terms, and specific conditions associated with future access to the Acquisition Facility. In addition, a waiver of all technical breaches associated with the impact of COVID-19 was granted.

The Board has performed a number of stress tests to assess the Parent Group's ability to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements, with a focus on 1) the sufficiency of liquidity to fund operations, and 2) whether the Parent Group is forecast to be in compliance with these amended covenants.

The directors have prepared forecasts for the Parent Group covering a period through to 31 August 2021. These forecasts reflect an assessment of current and future market conditions and their impact on the Parent Group's future profitability and cashflows. The forecasts have been sensitised for a reduction in revenue to the end of the review period (varying both the steepness of the decline and the length of the recovery phase towards more normal levels of activity) with the impact on profitability and cash flow considered, net of certain expected cost savings given the reduced volumes. The forecasts have also been reverse stress tested with some further cost mitigations, each within the control of the business. The Board has already introduced a reduction in overhead spending and short-term capital investment in order to conserve cash.

In the most severe but plausible scenario forecasted, the Parent Group would still have sufficient profitability to meet its bank covenant requirements and would retain sufficient liquidity to fund operations.

In the reverse stress tested scenario, based on a 18% reduction in revenue for the 12-month outlook period (compared to the Group's COVID-19 adjusted base forecast), the Parent Group would need further mitigating action such as reducing overhead spend permanently and delaying development and capital expenditure. Should it become apparent that trading performance is being affected for a prolonged period, the directors will undertake a further review on discretionary expenditure and capital investment to protect the Parent Group's position.

Having considered all the above, including the Parent Group's current financial position and its willingness to provide financial support to the Group as needed, the directors remain confident in the long-term future prospects for the Group and its ability to continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 August 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries and jointly controlled entities are carried at cost less impairment.

1.4. Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.5. Classification of financial instruments issued by the Group

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.6. Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7. Other financial instruments

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Net investment hedges

Where the hedged item is the translation risk for the net assets of overseas subsidiaries in the consolidated financial statements, the Group may designate borrowings in the same currency as that overseas subsidiary's functional currency as a hedging instrument. In that case, the effective portion of the hedge is recognised in other comprehensive income, and only the ineffective portion of the hedging item's translation value is recorded in profit or loss.

Cumulative exchange differences recognised in OCI relating to a hedge of a net investment in a foreign operation shall not be reclassified to profit or loss on disposal or partial disposal of that foreign operation.

1.8. Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Company assesses at each reporting date whether tangible fixed assets 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:

- Freehold buildings – 50 years
- Leasehold property improvements – over the term of the lease
- Fixtures and fittings – 5 to 10 years
- Equipment – 3 to 10 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9. Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Company/Group elected not to restate business combinations that took place prior to 1 September 2014. In respect of acquisitions prior to 1 September 2014 goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

1.10. Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Amortisation

Goodwill is amortised on a straight-line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is assessed for each acquisition separately with the range being between 10 and 20 years.

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill is tested for impairment in accordance with Section 27 *Impairment of assets* when there is an indication that it may be impaired.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11. Intangible fixed assets

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- software – 4 years
- brand – 10 years
- order book – 2 years

1.12. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.13. Impairment excluding stocks

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13. Impairment excluding stocks (continued)

Non-financial assets (continued)

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

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

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

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

1.14. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.15. Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

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

1.16. Turnover

Turnover represents amounts invoiced and accrued in respect of services provided in the year, less amounts deferred in creditors, and is stated net of value added tax. Turnover is recognised upon completion of the services to which it relates when all contractual obligations have been fulfilled.

The CARE Fertility group provides cryogenic freezing and storage services. Revenue for the provision of these services is recognised on a straight-line basis over the storage term.

Notes *(continued)*

1 Accounting policies *(continued)*

1.17. Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

1.18. 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; and differences relating to investments in subsidiaries and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. 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 provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

	2019	2018
	£000	£000
Sale of goods	**5,714**	4,656
Rendering of services	**34,862**	30,294
Total turnover	**40,576**	34,950

Turnover is wholly attributable to the principal activity of the Group. All turnover arose in the United Kingdom.

Notes *(continued)*

3 Operating profit

	2019 £000	2018 £000
Amortisation	2,496	1,840
Depreciation	1,680	1,520
Audit of these financial statements	36	5
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	104	49
Taxation compliance services	-	-
All other services	-	-

Included within other operating expenses are £785,000 *(2018: £157,000)* of exceptional costs. These comprise £72,000 *(2018: £nil)* of costs in relation to the sale of the Company to Royton Bidco Limited; £351,000 *(2018: £nil)* of start-up losses incurred by CARE Fertility Liverpool Limited and CARE Fertility Leeds Limited; £142,000 *(2018: £nil)* of losses incurred by CARE Fertility Tamworth Limited during restructuring of its operations immediately post-acquisition; and £220,000 *(2018: £157,000)* of one-off professional fees associated with internal restructuring and management restructuring costs which were outside of the normal course of business.

4 Staff numbers and costs

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

	Number of employees 2019	2018
Clinical	198	147
Administration	130	142
	328	289

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	14,372	12,908
Social security costs	1,374	1,281
Contributions to defined contribution plans (note 19)	574	424
	16,320	14,613

Notes *(continued)*

5 Directors' remuneration

	2019	2018
	£000	£000
Directors' remuneration	**1,490**	1,407
Company contributions to money purchase pension plans	**82**	89

The remuneration of the highest paid director was £217,000 *(2018: £243,000)*, and company pension contributions of £nil *(2018: £nil)* were made to a money purchase scheme on his behalf.

	Number of directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**9**	5

6 Other interest receivable and similar income

	2019	2018
	£000	£000
Interest on financial assets measured at amortised cost	**45**	57
Total interest receivable and similar income	**45**	57

7 Interest payable

	2019	2018
	£000	£000
Other interest	**19**	10

Notes *(continued)*

8 Taxation

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

	2019		2018	
	£000	**£000**	£000	£000
Current tax				
Current tax on income for the period	**290**			789
Group relief payable	**659**			424
Adjustments in respect of prior periods	**(249)**			(560)
Total current tax		**700**		653
Deferred tax (see note 17)				
Origination and reversal of timing differences	**(20)**		(118)	
Adjustments in respect of prior periods	**(9)**		67	
Total deferred tax		**(29)**		(51)
Total tax expense included in profit or loss		**671**		602

Reconciliation of effective tax rate

	2019	2018
	£000	£000
Profit for the year	**2,307**	2,925
Total tax expense	**671**	602
Profit excluding taxation	**2,978**	3,527
Tax using the UK corporation tax rate of 19% *(2018: 19%)*	**566**	670
Ineligible amortisation	**358**	187
Fixed asset differences	**108**	89
Adjustments in respect of prior periods	**(258)**	(493)
Expenses not deductible for tax	**3**	17
Research and development credits	**(10)**	(8)
Impact of tax rate differences	**(4)**	93
Other timing differences	**(92)**	47
Total tax expense included in profit or loss	**671**	602

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) were substantively enacted on 26 September 2017. This will reduce the Group's future tax charge accordingly.

Notes *(continued)*

9 Intangible assets

Group	Goodwill £000	Brand £000	Order book £000	Software £000	Total £000
Cost					
Balance at 1 September 2018	25,029	5,280	461	416	31,186
Additions	8,231	-	-	123	8,354
Balance at 31 August 2019	33,260	5,280	461	539	39,540
Amortisation and impairment					
Balance at 1 September 2018	7,213	660	461	119	8,453
Amortisation for the year	1,879	528	-	89	2,496
Balance at 31 August 2019	9,092	1,188	461	208	10,949
Net book value					
At 31 August 2019	**24,168**	**4,092**	-	**331**	**28,591**
At 31 August 2018	17,816	4,620	-	297	22,733

Amortisation
The amortisation was all recognised in other operating expenses in the profit and loss account.

Notes *(continued)*

10 Tangible fixed assets

Group	Freehold land and buildings £000	Leasehold improve-ments £000	Fixtures and fittings £000	Equipment £000	Work in progress £000	Total £000
Cost						
Balance at 1 September 2018	294	8,466	1,809	6,693	-	17,262
Acquisitions	-	3	113	1,293	-	1,409
Additions	-	173	100	891	179	1,343
Disposals	-	-	-	(31)	-	(31)
Balance at 31 August 2019	294	8,642	2,022	8,846	179	19,983
Depreciation and impairment						
Balance at 1 September 2018	63	3,068	895	4,501	-	8,527
Depreciation charge for the year	4	542	269	865	-	1,680
Eliminated on disposals	-	-	-	(31)	-	(31)
Balance at 31 August 2019	67	3,610	1,164	5,335	-	10,176
Net book value						
At 31 August 2019	**227**	**5,032**	**858**	**3,511**	**179**	**9,807**
At 31 August 2018	231	5,398	914	2,192	-	8,735

Land and buildings

The net book value of freehold land and buildings comprises:

	2019 £000	2018 £000
Freehold land	**80**	80
Freehold buildings	**147**	151
	227	231

Notes *(continued)*

11 Investments

Investments – Group

Group	Investments in Joint Ventures £000	Loans to Joint Ventures £000	Total £000
Cost			
At beginning of year	-	991	991
Capital repayments	-	(585)	(585)
Foreign exchange differences	-	5	5
At end of year	-	411	411
Share of post-acquisition reserves			
At beginning of year	(669)	-	(669)
Share of profit retained by joint venture	450	-	450
Foreign exchange differences	(4)	-	(4)
At end of year	(223)	-	(223)
Net book value			
At 31 August 2019	**(223)**	**411**	**188**
At 31 August 2018	(669)	991	322

In the current year the group's share of the joint venture profits was £450,000 *(2018: £426,000)*. The group's share of assets is £604,000 *(2018: £686,000)* and share of liabilities is £827,000 *(2018: £1,355,000)*.

Investments – Company

	Shares in group undertakings £000
Cost	
At beginning of year	20,510
Additions	7,291
At end of year	27,801
Net book value	
At 31 August 2019	**27,801**
At 31 August 2018	20,510

Notes *(continued)*

11 Investments *(continued)*

The undertakings in which the Group and Company have an interest at the year-end are as follows:

	Country of incorporation	Principal activity	Percentage of ordinary shares held Group	Company
Subsidiary undertakings				
Centres for Assisted Reproduction Limited	England and Wales	Provision of fertility services	100%	100%
CARE (Sheffield) Limited	England and Wales	Provision of fertility services	100%	Nil
CARE Fertility (Northampton) Limited	England and Wales	Provision of fertility services	100%	Nil
CARE Fertility (London) Limited	England and Wales	Holding company	100%	100%
Centre for Reproductive Medicine Limited	England and Wales	Provision of fertility services	100%	Nil
South East Fertility Clinic Limited	England and Wales	Provision of fertility services	100%	100%
CARE Fertility Birmingham Limited	England and Wales	Provision of fertility services	75%	75%
Zita West Assisted Fertility Limited	England and Wales	Provision of fertility services	100%	100%
Zita West Clinics Limited	England and Wales	Provision of fertility services	100%	Nil
CARE Fertility Liverpool Limited	England and Wales	Provision of fertility services	75%	75%
CARE Fertility Leeds Limited	England and Wales	Provision of fertility services	100%	100%
Bath Fertility Centre Limited	England and Wales	Provision of fertility services	100%	100%
Bristol IVF Centre Limited*	England and Wales	Dormant	100%	Nil
Bath Fertility Clinic Limited*	England and Wales	Dormant	100%	Nil
Bath Fertility Limited*	England and Wales	Dormant	100%	Nil
Bath IVF Limited*	England and Wales	Dormant	100%	Nil
CARE Fertility Tamworth Limited	England and Wales	Provision of fertility services	100%	100%
Joint ventures				
Beacon Care Fertility Limited	Republic of Ireland	Provision of fertility services	50%	50%
Beacon Concourse Development Limited	Republic of Ireland	Property development	50%	50%

* dissolved 21 May 2019

The registered address of all active subsidiary undertakings is John Webster House, 6 Lawrence Drive, Nottingham Business Park, Nottingham, NG8 6PZ. The registered address of all joint ventures is Suite 36, Beacon Hall, Beacon Court, Sandyford, Dublin 18.

Acquisitions in the current period

On 7 February 2019, the Company acquired 100% of the share capital of Bath Fertility Centre Limited and its subsidiaries Bristol IVF Centre Limited, Bath Fertility Clinic Limited, Bath Fertility Limited and Bath IVF Limited. Further details are in note 23.

On 3 June 2019, the Company acquired 100% of the share capital of CARE Fertility Tamworth Limited. Further details are in note 23.

Notes *(continued)*

12 Stocks

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Raw materials and consumables	915	492	-	-

Raw materials recognised as cost of sales in the year amounted to £5,214,000 *(2018: £4,158,000)*.

13 Debtors

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Trade debtors	3,161	1,776	-	-
Amounts owed by group undertakings	-	3,236	12,059	15,434
Prepayments and accrued income	1,590	1,290	-	-
Other debtors	364	280	41	60
Corporation tax debtor	255	107	-	-
	5,370	6,689	12,100	15,494

14 Cash and cash equivalents

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Cash at bank and in hand	2,202	1,003	366	147
Cash and cash equivalents	2,202	1,003	366	147

15 Creditors: amounts falling due within one year

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Bank and other borrowings	-	500	-	-
Trade creditors	1,789	1,878	-	-
Amounts owed to group undertakings	305	-	32,032	31,012
Corporation tax	-	667	178	279
Taxation and social security	451	368	-	-
Other creditors	159	107	-	-
Accruals and deferred income	6,221	4,933	87	-
Contingent consideration	-	7	-	7
	8,925	8,460	32,297	31,298

Notes *(continued)*

16 Creditors: amounts falling after more than one year

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Contingent consideration	**5,962**	2,960	**5,962**	2,960
Other loans	**185**	180	-	-
	6,147	3,140	**5,962**	2,960

17 Deferred tax liabilities/(assets)

	2019	2018
	£000	£000
At start of period	**659**	710
Acquisitions	**103**	-
Credit to profit and loss	**(29)**	(51)
At end of period	**733**	659

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Fixed asset timing differences	-	(113)	**117**	-	**117**	(113)
Other	-	-	**616**	772	**616**	772
Tax liabilities/(assets)	-	(113)	**733**	772	**733**	659

18 Provisions

Group	**Dilapidation**	**Restructuring**	**Total**
	£000	**£000**	**£000**
At 1 September 2018	952	-	952
Business combinations	-	1,250	1,250
Unwind of discount	-	19	19
Amounts utilised	-	(47)	(47)
At 31 August 2019	**952**	**1,222**	**2,174**

Dilapidation provisions are held in relation to the estimated costs of returning leased property to the conditions required under the lease contract at the end of the lease term. The estimate is based upon quotes obtained for similar work and the cash outflow will arise upon exit from the property.

The restructuring provision is held in relation to onerous property costs arising following a streamlining of operations at the Tamworth clinic acquired in the year. The estimate is based upon actual rent and rates costs in the year inflated at the Bank of England target rate over the remaining term of the lease.

Notes *(continued)*

19 Employee benefits

The Group contributes to a number of defined contribution pension scheme on behalf of its employees. Assets in respect of the defined contribution scheme are held separately from those of the Company in an independently administered fund. The pension charge represents contributions payable by the Company to the fund and amounted to £574,000 *(2018: £424,000)* in the period.

20 Capital and reserves

Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
122,156 *(2018: nil)* ordinary shares of £0.01 each	1,222	-
Nil *(2018: 102,156)* A ordinary shares of £0.01 each	-	1,022
Nil *(2018: 100)* B ordinary shares of £0.01 *(2018: £1.00)* each	-	100
Nil *(2018: 100)* C ordinary shares of £0.01 *(2018: £1.00)* each	-	100
	1,222	1,222

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Further details on the rights of the shares can be found in the Articles of Association.

Share premium account

The balance classified as share premium relates to the aggregate net proceeds less nominal value of shares on issue of the Company's share capital.

21 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2019 £000	2018 £000
Assets measured at amortised cost	5,727	6,401
Liabilities measured at amortised cost	(11,038)	(7,598)

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019		2018	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Less than one year	1,782	12	1,368	14
Between one and five years	7,502	7	5,448	25
More than five years	16,025	-	14,616	-
	25,309	19	21,432	39

During the year £2,014,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2018: £1,569,000)*.

The Company had no commitments under operating leases.

Notes *(continued)*

23 Acquisitions

Acquisitions in the current period – Bath Fertility Centre Limited

On 7 February 2019, the Company acquired 100% of the share capital of Bath Fertility Centre Limited and its subsidiaries Bristol IVF Centre Limited, Bath Fertility Clinic Limited, Bath Fertility Limited and Bath IVF Limited. The business contributed revenue of £1,981,000 and a net profit of £286,000 to the revenue and net profit for the year.

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities.

	Recognised on acquisition £000
Tangible fixed assets	998
Stock	47
Trade and other debtors	253
Corporation tax debtor	41
Cash	114
Trade and other creditors	(779)
Deferred tax liabilities	(103)
Net identifiable assets and liabilities	571
Total cost of business combination:	
Initial cash consideration relating to business combination	4,087
Contingent consideration expected to be paid	2,798
Costs directly attributable to the business combination	279
Total consideration	7,164
Goodwill	6,593

The balance of acquisition consideration over net identifiable assets and liabilities has been allocated to goodwill. Goodwill is to be amortised over 10 years.

Notes *(continued)*

23 Acquisitions *(continued)*

Acquisitions in the current period – CARE Fertility Tamworth Limited

On 3 June 2019, the Company acquired 100% of the share capital of CARE Fertility Tamworth Limited. The business contributed revenue of £377,000 and a net loss of £147,000 for the year which has been presented within "other operating expenses – exceptional" on the face of the Group's consolidated profit and loss account.

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities.

	Recognised on acquisition £000
Tangible fixed assets	**411**
Stock	**25**
Trade and other debtors	**225**
Cash	**130**
Trade and other creditors	**(569)**
Provisions	**(1,250)**
Net identifiable assets and liabilities	**(1,028)**
Total cost of business combination:	
Initial cash consideration relating to business combination	**-**
Contingent consideration expected to be paid	**500**
Costs directly attributable to the business combination	**110**
Total consideration	**610**
Goodwill	**1,638**

The balance of acquisition consideration over net identifiable assets and liabilities has been allocated to goodwill. Goodwill is to be amortised over 10 years.

Notes *(continued)*

24 Related parties

As permitted by FRS 102 Related Party Transactions no disclosure has been made of transactions or balances between group entities that have been eliminated on consolidation of CARE Fertility Group Limited.

Key management personnel are considered to be the directors, details of their remuneration is detailed under note 5.

During the current and prior years CARE Fertility Group Limited, a wholly owned subsidiary, provided loans to its joint ventures, Beacon Care Fertility Limited and Beacon Concourse Development Limited. At the year end the amount outstanding was £411,000 *(2018: £844,000)* and £nil *(2018: £206,000)* respectively.

All transactions were conducted on an arm's length basis on normal trading terms.

25 Contingencies

The Company is party to a composite company unlimited guarantee in respect of bank loans of other group companies. As at 31 August 2019 the net debt outstanding was £53,000,000 *(2018: £13,737,500)*.

26 Ultimate controlling party

The Company's immediate parent Company is Rachel Topco Limited (formerly CARE Fertility Holdings Limited). The Company's ultimate controlling party is Silverfleet Capital Partners LLP, an investment holding limited liability partnership registered in Great Britain.

The largest and smallest group in which the results of the Company are consolidated is that headed by Rachel Topco Limited (formerly CARE Fertility Holdings Limited). These consolidated financial statements are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. The registered office is detailed on page 1.

27 Accounting estimates and judgements

Key sources of estimation uncertainty and accounting judgements

Revenue recognition

The group receives revenue in respect of a bundled product to freeze and store patient gametes and embryos. The allocation of revenue between point of sale and subsequent periods is a key judgement estimate and critical accounting judgement.

Total revenue earned in the year in respect of all freeze and storage products was £2,080,000 *(2018: £1,872,000)* of which a proportion related to bundled freeze and storage products. It is the Group's policy to recognise 80% of bundled sales revenue immediately upon freeze, the remainder being deferred and recognised over the storage term. The directors recognise that the recognition of revenue on bundled products is an area of subjectivity, however consider the Group's policy to be appropriate. At the year end, £165,000 *(2018: £849,000)* of deferred income was held on the balance sheet relating to bundled storage income deferred from this and previous periods, the reduction in the year being due to the continued drive towards de-bundled freeze and storage products.

Recoverability of goodwill

The Group has a significant goodwill balance which is reassessed to ensure recoverability at each year end. The directors consider the current and projected future cash flows of the group to ensure the balance is recoverable.

The directors prepared an impairment assessment at 31 August 2019 which demonstrated the net present value of the underlying cash flows of the business exceeded the net book of the goodwill using a long-term growth rate of 2% and a discount rate of 11%. A sensitivity assessment was performed which indicated an increase in the discount rate by 124 basis points would lead to the recoverable amount equalling the carrying amount of goodwill.

Deferred consideration

The Group acquisitions typically contain an element of deferred consideration. The quantum of this deferred consideration is dependent on the future profitability of the acquisitions over a finite period. The directors monitor this regularly during the year at Board meetings.

Notes *(continued)*

28 Subsequent events

The impact of COVID-19 has created uncertainty as to the outlook for the remainder of the financial year and it is still too early to ascertain the impact this may have on our full year 2020 revenue and profitability. To date, there has been a significant impact on revenue given the UK government's requirement to suspend our business operations as the UK went into lockdown on 23 March, a position we agreed with to protect the health, safety and wellbeing of employees and customers alike. This resulted in the gradual winddown to closure of our clinics by 15 April, which we were since able to re-open for business as of 12 May, with protective measures to keep our employees and customers safe.

However, should a further outbreak of COVID-19 result in further restrictions on our ability to operate in some or all of our locations, the directors will undertake a further review on discretionary expenditure and capital investment to protect the Group's liquidity and debt compliance position.

In considering the ongoing impact of COVID-19, the Group will, as part of its usual reporting process, conduct impairment reviews across all cash generating units. The process will be informed by any impact arising from challenging trading environments and macro-economic weakness, exacerbated by the uncertainty created by COVID-19.

There is the potential should the impact of COVID-19 persist, for write down of fixed assets (goodwill, intangibles, tangible assets and investments) alongside increases in bad debt provisions and debt write offs should customers enter financial difficulty. In response to the risk of increased debt write offs the Group is performing a review of its cash collection processes with the resultant actions being to collect all but NHS debts in advance of treatment.