CARE Fertility Group Limited

Annual report and consolidated financial statements

Registered number 05423241

31 August 2020

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	NatWest Bank Plc 16 South Parade Nottingham NG1 2JX

Strategic report

Business review

CARE Fertility Group Limited ('the Company') is a subsidiary of the Care Fertility Holdings Limited group ('the Parent 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.

The Directors discussed their response to their responsibilities under S172 of the Companies Act 2006 in the Director's report.

EBITDA, including joint ventures and excluding exceptional charges, for the Company and its subsidiaries ('the CARE Fertility Group') was £4,484,000 (2019: £8,076,000). The latest publicly available clinical success rates and cycle information can be found on Human Fertilisation and Embryology Authority (HFEA) website.

	2020
	£000
Operating loss	**(1,942)**
Other operating expenses – goodwill amortisation	**2,966**
Other operating expenses – depreciation	**2,224**
Other operating expenses – exceptional	**1,056**
Joint venture deprecation	**98**
Joint venture interest	**28**
Joint venture tax	**54**
EBITDA including joint ventures and excluding exceptional charges	**4,484**

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.

Strategic report

Risk management (continued)

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.

The Group makes use of financial instruments such as an operational bank account and short-term treasury deposits so its exposure to price risk, credit risk, liquidity risk and cash flow is limited.

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.

Signed on behalf of the directors

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DB Burford

Director

Approved by the directors on 28 May 2021

Directors' report

The directors present their report and the financial statements of the Care Fertility Group Limited ('the Company') and its subsidiaries ('the Group') for the year ended 31 August 2020.

Principal activities

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

In the current year the Company acquired CARE Fertility Chester (Holdings) Limited (previously Cheshire Reproductive Medicine (Holdings) Limited) and its subsidiary, CARE Fertility Chester Limited (previously Cheshire Reproductive Medicine Limited) on 24 September 2019. On 18 December 2019, CARE Fertility incorporated CARE Fertility Woking Limited and on 7 August 2020 CARE Fertility Woking Limited purchased the trade and assets of Woking ASC Unit.

Results and dividends

The loss for the year, after taxation, amounted to £2,205,000 *(2019: profit £2,307,000)*. The directors have not recommended payment of a final dividend *(2019: £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
Mr NMI Robertson - resigned 30 September 2019

Disabled employees

The 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

Notwithstanding the Group's net current liabilities of £7,117,000 (2019: £438,000), the directors believe the preparation of the financial statement on a going concern basis to be appropriate for the reasons set out below.

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 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 CARE Fertility Holdings Limited. CARE Fertility Holdings 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.

Directors' report *(continued)*

Going concern *(continued)*

As of 31 August 2020, the Parent Group was principally funded by preference shares of £57m, loan notes listed on The International Stock Exchange of £20m and funds drawn under a £73m Senior Facilities Agreement ('SFA') which was entered into on 8 April 2019. In the period just prior to the first national lockdown on 23 March 2020 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. On 22 June 2020 the Parent Group secured a revised financing package with its lenders mitigating the risk of any such potential breach and have met covenant compliance since. The preference shares and loan notes carry no covenants and there is no repayment requirement in the going concern assessment period other than in the event of disposal of the group by its shareholders.

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 from the date of approval of these financial statements through to 31 May 2022, with a focus on 1) the sufficiency of liquidity to fund operations, and 2) whether the 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 2022. 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 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.

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 31% reduction in revenue for the 12-month outlook period, 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.

The Group also considered and assessed there were no significant events forecast in the period after 31 May 2022 that would impact the going concern assessment.

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.

Section 172 Statement

Introduction

The directors, in line with their duties under section 172 ("s172") of the Companies Act 2006, act in a 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. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 and will take into consideration (amongst other matters):

- the likely consequences of any decisions in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, patients and others
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between shareholders of the Company.

Directors' report *(continued)*

Section 172 Statement *(continued)*

Board training and support on s172 duties

The Board is supported in the discharge of their duties principally by the Group Chairman. All directors receive guidance on their statutory duties including s172 and were briefed on the governance and reporting requirements introduced by the Companies (Miscellaneous Reporting) Regulations 2018. The Chief Executive Officer, Chief Operations Officer and Group Finance Director all sit on the Company / Group Board and discuss the decisions made at the Group Board with the other Executive directors of the Group.

Stakeholders

The Company Board's responsibility to promote the long-term success of the Company and Group, relies on inputs from, and positive relationships with, a wide range of stakeholders. These Stakeholders are engaged collaboratively at all stages of the Board's decision-making process, with interaction levels reflective of the nature, risk and sensitivity of each decision.

Employees

The Company directors are actively involved in promoting employee engagement. The Company and the Group believe our employees are pivotal to the current and long-term success of the business and why attracting and retaining staff is a key priority. By fostering a engagement led culture based on regular employee feedback used to direct new employee programs and services, we continue to build strong core values based on integrity, innovation, inclusiveness, caring, can-do attitude and knowledgeability. During the year we have engaged with our employees in the following ways:

- An independently administered staff survey – which recorded very high levels of engagement
- Launch of a new workspace, providing an interactive forum for employee communication
- Team, regional and group meetings, including presentations to re-launch the Group's strategy, purpose and values, and performance
- Ongoing training modules

Other Stakeholders

Other key stakeholders of the Group are considered to be, but not limited to, our patients, CCGs, suppliers, regulators, lenders and shareholders. There is a constant dialogue with the Group and all of our stakeholders at all levels of the group, with the Board having the ultimate responsibility of ensuring that any decisions taken at Board level have appropriately considered the impact on all stakeholders, and that those decisions are aligned with the Groups mission, purpose and core values.

Principal Decisions

When making decisions, the directors have regard to the longer-term impact of such decisions and any possible impact on all stakeholders. Examples of principal decisions made by the Company board during the fiscal year include:

- Investing in new business opportunities and acquisitions;
- Refinancing of the Senior Facilities Agreement;
- The response to COVID: ensuring the longevity of the business and the operational safety and well being of all our employees and patients

The impact of Covid-19 during the period presented an unprecedented challenge for the Board, with the Company's response to the pandemic dominating decisions and considerations. The Directors guided, supported and challenged management, giving them, where appropriate, a clear mandate to take essential short-term decisions whilst still keeping focus on long-term strategic impact, balance competing priorities, and ensuring that all factors and stakeholders were taken into consideration.

Directors' report (continued)

Streamlined Energy and Carbon Reporting

Introduction

This report presents the results of Streamlined Energy and Carbon Reporting (SECR) for CARE Fertility Group Ltd (CARE Fertility). Data has been assessed and the report provided by Sustainable Advantage.

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the government's latest policy on SECR. SECR replaced the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) in April 2019. This new framework aims to simplify carbon and energy reporting requirements while still ensuring that companies have the information required to understand and reduce their emissions and energy costs.

Approach

The UK Government's environmental reporting guidance on how to measure and report greenhouse gas emissions has been used, along with the provided greenhouse gas reporting figures for the relevant year. The financial control approach has been used to define the scope boundary.

Reporting Period

The reporting period is 1st September 2019 to 31st August 2020, aligning with the company's financial year.

Base Year & Changes in Emissions

A base year of 1st September 2019 to 31st August 2020 has been used, as this is the earliest year for which reliable data was recorded and measured. The base year will be used as the benchmark for future emission data and consumption changes. The recalculation policy is to recalculate the base year emissions only for relevant significant changes which meet the threshold of affecting 5% of base year emissions. As CARE Fertility's emissions are reported for the first year under SECR, no previous years' data is shown, all changes will therefore be monitored in the coming financial period, to be compared with the current (base) year. This will allow for comparison and insight into how CARE Fertility is performing and improving with regards to consumption and emissions.

Operational Scopes

Scope 1, scope 2 and partial scope 3 emissions have been included within this report. CARE Fertility owned or leased 13 sites during this period, where electricity and gas are the primary and only utilities used. CARE Fertility did not own or lease any vehicles but had staff mileage claims for 142 staff members. All activities are based within the UK.

- Scope 1 emissions consists of gas usage within the sites.
- Scope 2 consists of electricity usage within the sites, as well as electricity consumed for vehicles.
- Partial scope 3 emissions are from grey fleet mileage.

Directors' report (continued)

Streamlined Energy and Carbon Reporting (continued)

Table 1 shows the breakdown of consumption and carbon emissions, in kWh and tonnes of carbon dioxide equivalent (tCO2e) respectively, by scope and specific area.

Table 1 - Breakdown of consumption and carbon emissions by scope, with comparison to the base year, for the current reporting period 1st September 2019 to 31st August 2020.

	Base Year (2019/20)		
	kWh	**tCO2e**	**% of Total**
Scope 1 - Natural Gas	778,992.0	143.2	17%
Scope 2 - Electricity*	1,888,699.0	440.3	72%
Scope 3 - Grey Fleet	108,917.1	27.1	3%
Gross Total	**2,776,608.1**	**610.6**	**100%**
Low Carbon Electricity	2,708,211.0	692.2	83.2%
Carbon Offsets	-	170.0	20.4%
Net Total	**-**	**(48.9)**	**(8%)**

* Electricity was calculated using an average for some sites, due to limited data available.

Carbon Offsets & Electricity

CARE Fertility recognise that the company's primary responsibility is to reduce emissions as far as possible. However, as CARE Fertility work towards responsible consumption practices, to mitigate any impact, various actions have been taken. Almost all electricity is sourced from renewable or low carbon energy sources, meaning there are no actual carbon emissions from sites, however location-based grid average emissions have been used to report the emissions figure. As well as this, verified carbon offset credits have been purchased to offset all other emissions. For the reporting period, 250 tCO2e of verified carbon credits have been purchased, making CARE Fertility -48.9 tCO2e carbon negative. 170

Intensity Ratios & Targets

An overall intensity ratio for all 13 sites has been created. For the overall intensity ratio, gross emissions per sales revenue has been calculated. Although building electricity is mostly sourced through renewable or low carbon energy contracts the location-based grid average emissions have been used to calculate intensity ratios. This will allow comparison and benchmarking with similar organisations and still drives energy reduction goals. A separate intensity ratio has been calculated for the grey fleet, using tCO2e per claimant. The chosen emissions reduction target is to reduce all intensity ratios across the business by 5% from 2019/20 to 2020/21. The target is based upon intensity ratios to improve performance, rather than allow for spurious improvements due to changes in operations. Table 2 shows the overall intensity ratio and target, as well as predicted tCO2e if sales revenue were to remain the same.

Table 2 - Overall intensity ratio, target, and predicted tCO2e, for the period 1st September 2019 to 31st August 2020. Intensity ratios are presented as tCO2e/£turnover.

Base Year (2019/20)		2012/21	
tCO2e	**Intensity Ratio**	**tCO2e**	**Intensity Ratio**
610.65	14.23	580.12	13.52

Directors' report (continued)

Streamlined Energy and Carbon Reporting (continued)

Carbon Reduction Initiatives

CARE Fertility were required to comply with ESOS. The following actions have been taken within the current reporting period in line with ESOS Phase 2 recommendations:

- LED lighting has been implemented at our Nottingham site.
- Electricity for the majority of sites is sourced from low carbon or renewable energy sources, meaning there are no actual carbon emissions.
- 250 tCO2e of verified carbon credits have been purchased to offset emissions, making CARE Fertility -48.9 tCO2e carbon negative.

Appendix

For any further information please visit https://www.carefertility.com/get-in-touch/

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

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DB Burford

Director

Approved by the directors on 28 May 2021

Statement of directors' responsibilities in respect of the annual report and consolidated 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 2020 which comprise the Consolidated profit and loss account, Consolidated statement of other comprehensive income, Consolidated balance sheet, Company balance sheet, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated cash flow statement and the related notes 1 to 27, 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 2020 and of the group's 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 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.

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 10, 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.

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.

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

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 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 10, 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 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.

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Ernst & Young LLP
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Adrian Roberts (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
28 May 2021

Consolidated profit and loss account

for year ended 31 August 2020

	Note	2020 £000	2019 £000
Turnover	2	**41,528**	40,576
Other operating income	3	**1,253**	-
Raw materials and consumables	13	**(6,460)**	(5,214)
Staff costs	5	**(19,123)**	(16,320)
Other operating expenses		**(15,402)**	(13,261)
Other operating expenses – goodwill amortisation	10	**(2,966)**	(2,496)
Other operating expenses – exceptional	4	**(1,056)**	(785)
Total operating expenses		**(19,424)**	(16,542)
Operating (loss)/profit	4	**(2,226)**	2,500
Group's share of profit in joint ventures	12	**284**	450
Total operating (loss)/profit		**(1,942)**	2,950
Interest receivable and similar income	7	**16**	45
Interest payable	8	**(85)**	(19)
(Loss)/Profit before taxation		**(2,011)**	2,978
Tax charge on loss/profit	9	**(194)**	(671)
(Loss)/Profit for the financial year		**(2,205)**	2,307
Attributable to:			
Owners of the parent		**(2,126)**	2,503
Non-controlling interests		**(79)**	(196)
		(2,205)	2,307

The Group had no discontinued operations in either year.

Consolidated statement of other comprehensive income
for year ended 31 August 2020

	Note	**2020 £000**	2019 £000
(Loss)/Profit for the year		**(2,205)**	2,307
Other comprehensive (expense)/income			
Foreign exchange differences on translation of foreign operations	*12*	**(1)**	(4)
Other comprehensive (expense)/income for the year, net of income tax		**(1)**	(4)
Total comprehensive (expense)/income for the year		**(2,206)**	2,303
Total comprehensive (expense)/income for the year attributable to:			
Owners of the parent		**(2,127)**	2,499
Non-controlling interest		**(79)**	(196)
		(2,206)	2,303

Consolidated balance sheet
at 31 August 2020

	Note	**2020**		2019	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*10*		**31,344**		28,591
Tangible assets	*11*		**14,131**		9,807
Investments in joint ventures	*12*		**360**		188
			45,835		38,586
Current assets					
Stocks	*13*	**1,039**		915	
Debtors	*14*	**7,536**		5,370	
Cash at bank and in hand	*15*	**11,086**		2,202	
		19,661		8,487	
Creditors: amounts falling due within one year	*16*	**(26,778)**		(8,925)	
Net current liabilities			**(7,117)**		(438)
Total assets less current liabilities			**38,718**		38,148
Creditors: amounts falling due after more than one year	*17*	**(8,914)**		(6,147)	
Provisions for liabilities					
Deferred tax liability	*18*	**(722)**		(733)	
Other provisions	*19*	**(2,072)**		(2,174)	
			(11,708)		(9,054)
Net assets			**27,010**		29,094
Capital and reserves					
Called up share capital	*21*		**1**		1
Share premium account	*21*		**312**		312
Capital redemption reserve			**53**		53
Profit and loss account			**27,210**		29,137
Equity attributable to the owners of the parent			**27,576**		29,503
Non-controlling interests			**(566)**		(409)
Shareholders' funds			**27,010**		29,094

These financial statements were approved by the board of directors on 28 May 2021 and were signed on its behalf by:

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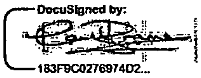

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PD Brame
Director

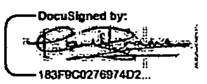
Company registered number: 05423241

Company balance sheet
at 31 August 2020

	Note	**2020**		2019	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*12*		**30,226**		27,801
Current assets					
Debtors	*14*	**12,559**		12,100	
Cash at bank and in hand	*15*	**181**		366	
		12,740		12,466	
Creditors: amounts falling due within one year	*16*	**(33,782)**		(32,297)	
Net current liabilities			**(21,042)**		(19,831)
Total assets less current liabilities			**9,184**		7,970
Creditors: amounts falling due after more than one year	*17*		**(7,563)**		(5,962)
Net assets			**1,621**		2,008
Capital and reserves					
Called up share capital	*21*		**1**		1
Share premium account	*21*		**312**		312
Capital redemption reserve			**50**		50
Profit and loss account			**1,258**		1,645
Shareholders' funds			**1,621**		2,008

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 loss for the financial year is £387,000 *(2019: profit £115,000).*

These financial statements were approved by the board of directors on 28 May 2021 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	Non controlling interest £000	Total equity £000
Balance at 1 September 2018	1	312	50	26,638	(238)	26,763
Total comprehensive income/(loss) for the period						
Profit for the year	-	-	-	2,503	(196)	2,307
Other comprehensive loss						
Foreign exchange differences on translation of foreign operations	-	-	-	(4)	-	(4)
	-	-	-	2,499	(196)	2,303
Total transactions with owners, recognised directly in equity						
Shares issued to non-controlling interests 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**

Consolidated statement of changes in equity (continued)

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Non controlling interest £000	Total equity £000
Balance at 1 September 2019	1	312	53	29,137	(409)	29,094
Total comprehensive loss for the period						
Loss for the year	-	-	-	(2,126)	(79)	(2,205)
Other comprehensive loss						
Foreign exchange differences on translation of foreign operations	-	-	-	(1)	-	(1)
Total comprehensive loss for the period	-	-	-	(2,127)	(79)	(2,206)
Total transactions with owners, recognised directly in equity						
Shares issued to non-controlling interests and associated share premium	-	-	-	-	122	122
Total transactions with owners, recognised directly in equity	-	-	-	-	122	122
Balance at 31 August 2020	**1**	**312**	**53**	**27,010**	**(366)**	**27,010**

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 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**

	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 2019	1	312	50	1,645	2,008
Total comprehensive loss for the period					
Loss for the year	-	-	-	(387)	(387)
Balance at 31 August 2020	**1**	**312**	**50**	**1,258**	**1,621**

Consolidated cash flow statement
for year ended 31 August 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
(Loss)/Profit for the year		**(2,205)**	2,307
Adjustments for:			
Depreciation and amortisation		**5,246**	4,176
Profit on disposal of fixed assets		**(4)**	(2)
Share of joint venture income		**(284)**	(450)
Research and development tax credits		**(54)**	(54)
Foreign exchange		**(1)**	(6)
Net interest expense		**69**	(20)
Tax		**194**	671
		2,961	6,622
Increase in trade and other debtors		**(1,748)**	(2,746)
Increase in stocks		**26**	(350)
(Decrease)/increase in trade and other creditors		**3,619**	(140)
		4,858	3,386
Interest received		**16**	98
Interest paid		**(85)**	1
Tax paid		**(20)**	(862)
Net cash from operating activities		**4,769**	2,623
Cash flows from investing activities			
Acquisition of tangible fixed assets		**(2,293)**	(1,343)
Acquisition of intangible fixed assets		**(20)**	(123)
Net proceeds from disposal of tangible fixed assets		**183**	2
Acquisition of investment in Cryogatt Systems		**(10)**	-
Acquisition of trade and assets of Woking ASC Unit (net of cash held)		**(6,278)**	-
Acquisition of shares in Cheshire Reproductive Medicine (Holdings) Limited (net of cash held)		**(758)**	-
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
Deferred consideration in respect of Zita West Assisted Fertility Limited		**-**	(302)
Repayment of joint venture loan		**123**	585
Net cash from investing activities		**(9,053)**	(1,454)
Cash flows from financing activities			
Net proceeds from issue of shares		**123**	25
Net proceeds from issue of other debt		**-**	5
Net funding from Group Companies		**12,100**	-
Bank overdraft		**995**	-
Repayment of shareholder loan notes		**(50)**	-
Net cash from financing activities		**13,168**	30
Net increase in cash and cash equivalents		**8,884**	1,199
Cash and cash equivalents at 1 September		**2,202**	1,003
Cash and cash equivalents at 31 August	*15*	**11,086**	2,202

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 2018 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 21.

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; 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 1.20.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

Notwithstanding the Group's net current liabilities of £7,117,000 (2019: £438,000), the directors believe the preparation of the financial statement on a going concern basis to be appropriate for the reasons set out below.

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 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 CARE Fertility Holdings Limited. CARE Fertility Holdings 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2. Going concern (continued)

As of 31 August 2020, the Parent Group was principally funded by preference shares of £57m, loan notes listed on The International Stock Exchange of £20m and funds drawn under a £73m Senior Facilities Agreement ('SFA') which was entered into on 8 April 2019. In the period just prior to the first national lockdown on 23 March 2020 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. On 22 June 2020 the Parent Group secured a revised financing package with its lenders mitigating the risk of any such potential breach and have met covenant compliance since. The preference shares and loan notes carry no covenants and there is no repayment requirement in the going concern assessment period other than in the event of disposal of the group by its shareholders

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 from the date of approval of these financial statements through to 31 May 2022, with a focus on 1) the sufficiency of liquidity to fund operations, and 2) whether the 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 2022. 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 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.

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 31% reduction in revenue for the 12-month outlook period, 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.

The Group also considered and assessed there were no significant events forecast in the period after 31 May 2022 that would impact the going concern assessment.

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.

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 2020. 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. 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.

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.

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. Investments

Investments are stated at cost less any accumulated impairment losses. Investments are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that they may be impaired.

1.13. 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.

1.14. 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.

Dilapidation provision

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.

Onerous lease provision

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

Notes *(continued)*

1 Accounting policies *(continued)*

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 the storage services is recognised on a straight-line basis over the storage term.

1.17. Other operating income

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

1.18. 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.

Exceptional items

Exceptional items are material items which arise from unusual, non-recurring or non-trading events. This includes items (such as costs relating to acquisitions) that have occurred in more than one period but are unusual or non-trading and of significant enough size to distort analysis of the Group's performance if not separately disclosed.

Exceptional items are separately disclosed in aggregate on the Consolidated Profit and Loss Account where in the opinion of the Directors such disclosure is necessary in order to fairly present the results for the period. See note 4 for the items disclosed in the current year.

1.19. 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.19 Taxation (continued)

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.

1.20. 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 £2,266,000 *(2019: £2,080,000)* of which a proportion related to bundled freeze and storage products. It is the Group's policy to recognise 80% of bundled sales revenue, on a basis of relative costs incurred, 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, £72,000 *(2019: £165,000)* 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 2020 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 2.25% and a discount rate of 10%. A sensitivity assessment was performed which indicated an increase in the discount rate by 40 basis points would lead to the recoverable amount equalling the carrying amount of goodwill.

Contingent consideration

The Group acquisitions typically contain an element of contingent consideration. The group estimates contingent consideration on acquisition through consideration of the prevailing terms and conditions in the relevant purchase agreements. This estimate is evaluated with respect to projected future earnings for each acquired entity where contingent consideration is applicable. Future earnings are estimated based on projections for each entity acquired, considering forecast growth, including forecast patient consultation volumes, related revenues and expected costs to deliver those services. The directors monitor this regularly during the period at Board meetings.

Notes *(continued)*

2 Turnover

	2020 **£000**	2019 £000
Sale of goods	**6,581**	5,714
Rendering of services	**34,947**	34,862
Total turnover	**41,528**	40,576

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

3 Other operating income

	2020 **£000**	2019 £000
Government grants	**1,253**	-

Government grant income represents amounts received from the Corona Virus Job Retention Scheme during the period.

4 Operating profit

	2020 **£000**	2019 £000
Amortisation	**2,966**	2,496
Depreciation	**2,280**	1,680
Operating lease costs	**2,263**	2,104
Audit of financial statements if the Company	**31**	36
Audit of the financial statements of the group	**134**	104

Included within other operating expenses are £1,056,000 *(2019: £785,000)* of exceptional costs. These comprise; £10,000 release of losses incurred by CARE Fertility Tamworth Limited *(2019: charge £142,000)* during restructuring of its operations immediately post-acquisition, £61,000 *(2019: £220,000)* of one-off professional fees associated with internal restructuring and management restructuring costs which were outside of the normal course of business, £473,000 of costs relating to professional and legal fees (2019:£nil), £nil *(2019: £72,000)* of costs in relation to the sale of the Company to Royton Bidco Limited and £532,000 *(2019: £351,000)* of pre trade losses incurred by CARE Fertility Liverpool Limited and CARE Fertility Leeds Limited.

Notes *(continued)*

5 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	
	2020	2019
Clinical	**262**	198
Administration	**167**	130
	429	328

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	**16,735**	14,372
Social security costs	**1,592**	1,374
Contributions to defined contribution plans (note 20)	**796**	574
	19,123	16,320

The average number of persons employed by the Company (including directors) during the period, analysed by category, was £nil.

6 Directors' remuneration

	2020	2019
	£000	£000
Directors' remuneration	**1,150**	1,490
Company contributions to money purchase pension plans	**59**	82

The remuneration of the highest paid director was £210,000 *(2019: £217,000)*, and company pension contributions of £20,000 *(2019: £nil)* were made to a money purchase scheme on his behalf.

	Number of directors	
	2020	2019
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**8**	9

Notes *(continued)*

7 Other interest receivable and similar income

	2020	2019
	£000	£000
Interest on financial assets measured at amortised cost	**16**	45

8 Interest payable and similar expenses

	2020	2019
	£000	£000
Other interest	**85**	19

9 Taxation

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

	2020		2019	
	£000	**£000**	£000	£000
Current tax				
Current tax on income for the period	**(15)**		290	
Group relief payable	**145**		659	
Adjustments in respect of prior periods	**75**		(249)	
Total current tax		**205**		700
Deferred tax (see note 18)				
Origination and reversal of timing differences	**10**		(20)	
Adjustments in respect of prior periods	**(24)**		(9)	
Short term timing differences	**(17)**			
Effect of tax rate change on opening balances	**20**			
Total deferred tax		**(11)**		(29)
Total tax expense included in profit or loss		**194**		671

Notes *(continued)*

9 Taxation *(continued)*

Reconciliation of effective tax rate

	2020	2019
	£000	£000
(Loss)/Profit for the year	**(2,131)**	2,307
Total tax expense	**194**	671
(Loss)/Profit excluding taxation	**(1,937)**	2,978
Tax using the UK corporation tax rate of 19% *(2019: 19%)*	**(368)**	566
Ineligible amortisation	**543**	358
Fixed asset differences	**87**	108
Adjustments in respect of prior periods	**56**	(258)
Expenses not deductible for tax	**26**	3
Research and development credits	**(10)**	(10)
Impact of tax rate differences	**(70)**	(4)
Deferred tax not recognised	**(5)**	-
Other timing differences	**(65)**	(92)
Total tax expense included in profit or loss	**194**	671

Factors that may affect future current and total tax charges

A UK corporation rate of 19% (effective 1 April 2020) 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 asset at 31 August 2020 has been calculated at 19% (31 August 2019: 17%). In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the group's future tax charge. If this rate change had been substantially enacted at the current balance sheet date this would have impacted the deferred tax assets and liabilities accordingly.

Notes *(continued)*

10 Intangible assets

Group	Goodwill £000	Brand £000	Order book £000	Software £000	Total £000
Cost					
Balance at 1 September 2019	33,260	5,280	461	539	39,540
Additions	5,743	-	-	20	5,763
Adjustment to prior year acquisition	(44)	-	-	-	(44)
Balance at 31 August 2020	38,959	5,280	461	559	45,259
Amortisation and impairment					
Balance at 1 September 2019	9,092	1,188	461	208	10,949
Amortisation for the year	2,331	528	-	107	2,966
Balance at 31 August 2020	11,423	1,716	461	315	13,915
Net book value					
At 31 August 2020	**27,536**	**3,564**	-	**244**	**31,344**
At 31 August 2019	24,168	4,092	-	331	28,591

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

Notes *(continued)*

11 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 2019	294	8,642	2,022	8,846	179	19,983
Acquisitions	-	3,139	290	1,062	-	4,491
Additions	-	1,194	136	942	20	2,292
Disposals	-	-	-	-	(179)	(179)
Balance at 31 August 2020	294	12,975	2,448	10,850	20	26,587
Depreciation and impairment						
Balance at 1 September 2019	67	3,610	1,164	5,335	-	10,176
Depreciation charge for the year	5	596	316	1,305	-	2,222
Exceptional deprecation charge		31	3	24		58
Balance at 31 August 2020	72	4,237	1,483	6,664	-	12,456
Net book value						
At 31 August 2020	**222**	**8,738**	**965**	**4,186**	**20**	**14,131**
At 31 August 2019	227	5,032	858	3,511	179	9,807

Land and buildings

The net book value of freehold land and buildings comprises:

	2020 £000	2019 £000
Freehold land	**80**	80
Freehold buildings	**142**	147
	222	227

Notes *(continued)*

12 Investments

Investments – Group

Group	Equity Investment In Associate £000	Investments in Joint Ventures £000	Loans to Joint Ventures £000	Total £000
Cost				
At beginning of year	-	-	411	411
Additions	10	-	-	10
Capital repayments	-	-	(123)	(123)
At end of year	10	-	288	298
Share of post-acquisition reserves				
At beginning of year	-	(223)	-	(223)
Share of profit retained by joint venture	-	284	-	284
Foreign exchange differences	-	1	-	1
At end of year	-	62	-	62
Net book value				
At 31 August 2020	**10**	**62**	**288**	**360**
At 31 August 2019	-	(223)	411	188

In the current year the group's share of the joint venture profits was £284,000 *(2019: £450,000)*. The group's share of assets is £1,013,000 *(2019: £604,000)* and share of liabilities is £951,000 *(2019: £827,000)*. Loans to Joint Ventures accrue interest at 5% were fully repaid post year end.

Investments – Company

	Shares in group undertakings £000
Cost	
At beginning of year	27,801
Additions	2,594
Revaluation of investment	(46)
Capital repayment	(123)
At end of year	30,226
Net book value	
At 31 August 2020	**30,226**
At 31 August 2019	27,801

Notes *(continued)*

12 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%
CARE Fertility Chester (Holdings) Limited	England and Wales	Holding Company	100%	75.13%
CARE Fertility Chester Limited	England and Wales	Provision of fertility services	100%	Nil%
CARE Fertility Woking Limited	England and Wales	Provision of fertility services	100%	75.04%
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%
Equity Investments				
Cryogatt Systems Limited	England and Wales	Development and Manufacture of Specialist RFID technology	<1%	<1%

* dissolved 21 May 2019

^ Class B ordinary shares of CARE Fertility Chester Limited and class B and C ordinary shares of CARE Fertility Woking Limited are held by other parties and are subject to put and call options. The terms of these options and the classification of these shares as debt rather than equity is described in Note 17.

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 24 September 2019, the Company acquired 100% of the share capital of CARE Fertility Chester (Holdings) Limited and its subsidiary, CARE Fertility Chester Limited.

On 18 December 2019, CARE Fertility incorporated CARE Fertility Woking Limited and on 7 August 2020 CARE Fertility Woking Limited purchased the trade and assets of Woking ASC Unit.

During the year, the Group acquired a less than 1% holding in Cryogatt System Limited.

Notes *(continued)*

13 Stocks

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Raw materials and consumables	**1,039**	915	**-**	-

Raw materials recognised as cost of sales in the year amounted to £6,460,000 *(2019: £5,214,000).*

14 Debtors

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Trade debtors	**4,943**	3,161	**-**	-
Amounts owed by group undertakings	**58**	-	**12,189**	12,059
Prepayments and accrued income	**1,649**	1,590	**-**	-
Other debtors	**761**	364	**284**	41
Corporation tax debtor	**125**	255	**86**	-
	7,536	5,370	**12,559**	12,100

15 Cash and cash equivalents

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Cash at bank and in hand	**11,086**	2,202	**181**	366

16 Creditors: amounts falling due within one year

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Bank and other borrowings	**995**	-	**995**	-
Trade creditors	**3,104**	1,789	**-**	-
Amounts owed to group undertakings	**12,463**	305	**32,787**	32,032
Corporation tax	**-**	-	**-**	178
Taxation and social security	**1,306**	451	**-**	-
Other creditors	**191**	159	**-**	-
Accruals and deferred income	**8,719**	6,221	**-**	87
	26,778	8,925	**33,782**	32,297

Notes *(continued)*

17 Creditors: amounts falling after more than one year

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Contingent consideration	**8,779**	5,962	**7,563**	5,962
Other loans	**135**	185	**-**	-
	8,914	6,147	**7,563**	5,962

Contingent consideration relates to amounts expected to be paid for the acquisitions of Zita West Assisted Fertility Limited, Bath Fertility Centre Limited, CARE Fertility Tamworth Limited, CARE Fertility Chester (Holdings) Limited and Woking ASC Unit.

On acquisition of CARE Fertility Chester, 46 B ordinary share of £1 each were issued to key management of the clinic. These shares hold a call and put option to be exercised three years from the date of acquisition at an agreed multiple of year three EBITDA. These shares have been treated as debt for accounting purposes.

On acquisition the Woking ASC unit, 100 B ordinary shares and 56 C ordinary shares of £1 each were issued in CARE Fertility Woking Limited to key management of the clinic. The B and C shares hold a call and put option to be exercised three and five years respectively from the date of acquisition at an agreed multiple of year three and year five EBITDA. These shares have been treated as debt for accounting purposes.

Other loans are non-interest bearing loan notes that are repayable on exit of the shareholders from the business.

18 Deferred tax liabilities/(assets)

	2020	2019
	£000	£000
At start of period	**733**	659
Acquisitions	**-**	103
Credit to profit and loss	**(11)**	(29)
At end of period	**722**	733

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets**		**Liabilities**		**Net**	
	2020	2019	**2020**	2019	**2020**	2019
	£000	£000	**£000**	£000	**£000**	£000
Fixed asset timing differences	**(99)**	-	**304**	117	**205**	117
Other	**(2)**	-	**519**	616	**517**	616
Tax liabilities/(assets)	**(101)**	-	**823**	733	**722**	733

Notes *(continued)*

19 Provisions

Group	Dilapidation £000	Onerous lease £000	Total £000
At 1 September 2019	952	1,222	2,174
Provision release	-	(102)	(102)
At 31 August 2020	**952**	**1,120**	**2,072**

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

20 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 £796,000 *(2019: £574,000)* in the period.

21 Capital and reserves

Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
122,156 *(2019: nil)* ordinary shares of £0.01 each	**1,222**	1,222
	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.

Notes *(continued)*

22 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Assets measured at amortised cost	**16,849**	5,727	**12,654**	12,466
Liabilities measured at amortised cost	**(29,123)**	(11,038)	**(41,345)**	(38,081)

23 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2020		2019	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Less than one year	**1,836**	**9**	1,782	12
Between one and five years	**7,625**	**1**	7,502	7
More than five years	**14,348**	**-**	16,025	-
	23,809	**10**	25,309	19

During the year £2,263,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2019: £2,014,000)*. The Company had no commitments under operating leases.

Notes *(continued)*

24 Acquisitions

Acquisitions in the current period – CARE Fertility Chester (Holdings) Limited

On 24 September 2019, the Company acquired 100% of the share capital of CARE Fertility Chester (Holdings) Limited and its subsidiary, CARE Fertility Chester Limited. Details of the contingent consideration are disclosed in Note 17.

The business contributed revenue of £2,041,000 and a net loss of £658,000 for the year.

Effect of acquisition

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

	Recognised on acquisition £000
Tangible fixed assets	**658**
Trade and other debtors	**388**
Cash	**226**
Trade and other creditors	**(741)**
Net identifiable assets and liabilities	**531**
Total cost of business combination:	
Initial cash consideration relating to business combination	**842**
Contingent consideration expected to be paid	**1,600**
Costs directly attributable to the business combination	**141**
Total consideration	**2,583**
Goodwill	**2,052**

Goodwill reflects the value of the clinic's expertise and customer base. The balance of acquisition consideration over net identifiable assets and liabilities has been allocated to goodwill. Goodwill is to be amortised over 15 years.

Notes *(continued)*

24 Acquisitions *(continued)*

Acquisitions in the current period – CARE Fertility Woking Limited

On 18 December 2019, CARE Fertility incorporated CARE Fertility Woking Limited and on 7 August 2020 CARE Fertility Woking Limited purchased the trade and assets of Woking ASC Unit. The business contributed revenue of £245,000 and a net loss of £82,000 for the year. Details of the contingent consideration are disclosed in Note 17.

Effect of acquisition

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

	Recognised on acquisition £000
Tangible fixed assets	**3,833**
Stock	**150**
Trade and other debtors	**56**
Trade and other creditors	**(236)**
Net identifiable assets and liabilities	**3,803**
Total cost of business combination:	
Initial cash consideration relating to business combination	**6,095**
Contingent consideration expected to be paid	**1,217**
Costs directly attributable to the business combination	**182**
Total consideration	**7,494**
Goodwill	**3,691**

Goodwill reflects the value of the clinic's expertise and customer base. The balance of acquisition consideration over net identifiable assets and liabilities has been allocated to goodwill. Goodwill is to be amortised over 15 years.

Notes *(continued)*

25 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 provided loans to its joint ventures, Beacon Care Fertility Limited and Beacon Concourse Development Limited. At the year end the amount outstanding was £288,000 *(2019: £411,000)* and £nil *(2019: nil)* respectively. The loans accrue interest at 5% and have been fully repaid post year end.

£135,000 of loan notes have been subscribed by employees of the group, which do not accrue interest.

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

26 Contingencies

The Company is party to a composite company unlimited guarantee in respect of bank loans of other group companies. As at 31 August 2020 the net debt outstanding was £64,035,000 *(2019: £53,000,000)*.

27 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 CARE Fertility Holdings Limited (formerly Royton Topco 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.