

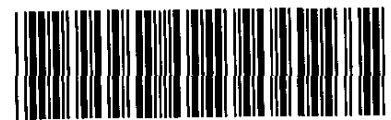
Care Management Group (Acquisition) Limited

Annual Report and Financial Statements

For the year ended 29 February 2020

Registered number: 05867920

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Care Management Group (Acquisition) Limited

Annual Report and Financial Statements 29 February 2020

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Care Management Group (Acquisition) Limited

Officers and professional advisers

Directors

G J Fitton
D Spruzen (resigned on 30 November 2019)
E Pearson (appointed on 15 January 2020)
P Kinsey (resigned on 31 January 2020)

Secretary

G J Fitton

Registered Office

First Floor
Q4 The Square
Randalls Way
Leatherhead
Surrey
KT22 7TW

Care Management Group (Acquisition) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 29 February 2020.

The directors' report has been prepared in accordance with the provisions applicable to Companies entitled to the small companies exemption. Accordingly, the directors have elected to exercise the exemption available to small companies from preparing a strategic report.

Principal activity

The principal activity of CMG (Acquisition) Limited "the Company" is to act as an intermediate holding Company for CMG Holdco and its subsidiaries ("CMG Group") whose principal activity is providing residential care, outreach care and supported living services for people with learning disabilities and complex needs including mental health needs.

Directors

The directors who served the Company during the year and since the year end are set out on page 1.

Results, dividends and future developments

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements. The Company made a loss of £5,041,000 (2019: profit of £8,059,000, after impairment reversal of £13,165,000) during the year. The Company did not pay a dividend during the year (2019: £nil).

No change to the Company's operations is expected in the foreseeable future and no post balance sheet events have occurred at the date of signing these accounts.

Principal risks and uncertainties

The directors have assessed the level of risk within the business and believe it to be similar to comparable UK based care and support organisations, where working capital management and good purchaser relations sound are essential to the future well-being of the Company. The directors believe that the current controls and processes within the business are appropriate and adequate to achieve this position.

The Company holds direct and indirect investments in several subsidiaries, with the valuation of these investments supported by the actual and forecast trading of these subsidiaries. The Company also has significant intercompany debt owed to it.

The Covid-19 pandemic is an unprecedented situation which will impact operations in the short-term but the Company is continuing to deliver core care services and is not expecting a significant reduction in revenue. Budget stress testing indicates the business can operate within funding covenants for the foreseeable future.

The possible economic and legislative changes arising as a result of the UK's repositioning of its relationship with the European Union is outside the Company's control. The directors continually monitor the economic and legislative position and believe they are well placed to address any changes as and when they might arise.

Going concern

The directors have carefully considered the going concern basis underlying the preparation of the financial statements.

Recent trading activity across the CMG Group and the Company has been in line with expectations. Referral levels have been maintained during the year and the quality of the services continued to improve which in turn lead to improved occupancy levels. *This occupancy growth is expected to continue in the following year. The Group is cash generative and funds have continued to be reinvested to increase capacity levels and drive growth.*

Brexit is a significant political event for the UK, and the economic consequences of Brexit are likely to be wide ranging, however because of nature of business it would not materially impact the company.

The directors have a reasonable expectation that the Galaxy Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the annual report and financial statements.

Management have prepared detailed forecasts for the Galaxy Group for the period to February 2022, which includes *the impact of Covid-19 on the Company's plans and future forecast. Net debt levels, servicing costs and covenant requirements are closely monitored and managed according to strict management processes. Management have considered the expected availability of working capital and achievement of covenants required.*

Care Management Group (Acquisition) Limited

Directors' report (continued)

The Company is party to cross guarantees for the bank debts due by all companies within the Galaxy Group. The directors have a reasonable expectation that the Galaxy Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the annual report and financial statements.

Reduced disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12.

Approved by the Board of Directors and signed on behalf of the Board:

G J Fitton
Director



23 June 2020

Registered Office

First Floor
Q4 The Square
Randalls Way
Leatherhead
Surrey
KT22 7TW

Care Management Group (Acquisition) Limited

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 Company and to prevent and detect fraud and other irregularities.

Care Management Group (Acquisition) Limited

Statement of Income and Retained Earnings For the year ended 29 February 2020

	Notes	2020 £'000	2019 £'000
Administrative expenses		-	95
Interest payable and similar charges	3	(5,041)	(5,201)
Reversal of impairment charge on investment		-	13,165
Profit/(Loss) before taxation	2	(5,041)	8,059
Taxation	4	-	-
Profit/(Loss) for the financial year		<u>(5,041)</u>	<u>8,059</u>

All results derive from continuing operations.

Last year, the directors reassessed the recoverable amount of the investments, in light of the acquisition by AMP Capital Investments (UK) Limited, and determined that impairment provision of £13,165,000 should be reversed.

There are no recognised gains or losses for the current or preceding year other than as stated in the profit and loss account. Accordingly, no separate statement of comprehensive income has been presented.

The accompanying notes on pages 9 to 15 form part of the financial statements.

Care Management Group (Acquisition) Limited

Balance sheet As at 29 February 2020

	Notes	2020 £'000	2019 £'000
Investments	5	77,400	77,400
Current assets			
Cash at bank and in hand		10	135
Debtors	6	48,291	48,291
		48,301	48,426
Creditors: amounts falling due within one year	7	(108,607)	(1,119)
Net current assets		(60,306)	47,307
Total assets less current liabilities		17,094	124,707
Creditors: amounts falling due after more than one year		-	(102,572)
Net assets		17,094	22,135
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account		17,094	22,135
Total shareholder's funds		17,094	22,135

The accompanying notes on pages 9 to 15 form part of the financial statements.

Care Management Group (Acquisition) Limited

Balance sheet (*continued*)

As at 29 February 2020

The company is entitled to exemption from audit under section 477 of the Companies Act 2006 for the year ended 29 February 2020.

The members have not required the company to obtain an audit of its financial statements for the year ended 29 February 2020 in accordance with Section 476 of the Companies Act 2006.

The Directors acknowledge their responsibilities for:

- a) Ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act and
- b) Preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The Financial statements have been prepared in accordance with provisions of Part 15 of the Companies Act 2006 relating to small companies.

Approved by the Board of Directors and signed on behalf of the Board:



G J Fitton
Director

23 June 2020

Registered Office

First Floor
Q4 The Square
Randalls Way
Leatherhead
Surrey
KT22 7T

Care Management Group (Acquisition) Limited

Statement of Changes in Equity For the year ended 29 February 2020

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
At 28 February 2018	-	14,076	14,076
Loss for the financial year	-	8,059	8,059
At 28 February 2019	-	22,135	22,135
Loss for the financial year	-	(5,041)	(5,041)
At 29 February 2020	-	17,094	17,094

Care Management Group (Acquisition) Limited

Notes to the financial statements For the year ended 29 February 2020

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. These have been applied consistently throughout the current and preceding years.

a. General information and basis of accounting

Care Management Group (Acquisition) Limited is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Director's report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Care Management Group (Acquisition) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Care Management Group (Acquisition) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Care Management Group (Acquisition) Limited is consolidated in the financial statements of its ultimate parent, Galaxy Group Midco Limited, which may be obtained from the registered office shown on page 1. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Going concern

The financial statements have been prepared using the going concern basis of accounting. The Company is a member of the group headed by Galaxy Group Midco Limited and guarantees the obligations of the Galaxy Group's borrowers under the facilities agreements. Disclosures relating to the going concern assumption adopted by Galaxy Group Midco Limited are included in the accounts of that Company.

The directors have carefully considered the going concern basis underlying the preparation of the financial statements.

In making their assessment the directors have prepared projected cash flow information for the period ending 28 February 2022, being more than twelve months from the date of their approval of these financial statements. The projections include the impact of Covid-19 on the company's plans and future forecast, including the impact on occupancy levels, employment and other incremental costs such as personal protection equipment. These projections reflect the company's experience of operating throughout the lockdown that has been in place since late March 2020, with an expectation that there will continue to be incremental costs through to the end of the new financial year. Based on these projections, the directors believe they will operate within existing facilities and that all banking covenants will be met. Other than interest costs, there are no repayment obligations under the group's external financing facilities until 2023.

Although all businesses are facing unprecedented levels of uncertainty, based on the above the directors are satisfied that there are no material uncertainties that may cast significant doubt on the company's ability to continue as a going concern and that it remains appropriate to prepare the financial statements on a going concern basis.

Care Management Group (Acquisition) Limited

Notes to the financial statements (*continued*) For the year ended 29 February 2020

1. Accounting policies (*continued*)

c. Consolidation

The Company has taken advantage of the exemption from the requirement to produce consolidated financial statements in accordance with Section 400 of the Companies Act 2006 since the Company is a wholly owned subsidiary undertaking of a UK Company which itself prepares consolidated financial statements. The financial statements therefore present information about the Company as an individual undertaking and not as a Group.

d. Investments

Investments in subsidiaries are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

e. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to arise.

f. Financial instruments

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Care Management Group (Acquisition) Limited

Notes to the Financial Statements (*continued*) For the year ended 29 February 2020

1. Accounting policies (*continued*)

g. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key source of estimation uncertainty

In applying the Company's accounting policies various transactions and balances are valued using estimates or assumptions. Should these estimates or assumptions prove incorrect, there may be an impact on the following year's financial statements. There are no sources of estimation uncertainty at the end of 2020 that has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities during 2020.

Critical accounting judgements

In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised in the financial statements.

2. Profit before taxation

Other than the directors, the Company had no employees (2019: none). The directors received remuneration paid by Care Management Group Limited in respect of their services to Group Companies. The portion that relates to the Company is £nil (2019: £nil).

3. Interest payable and similar charges

	2020 £'000	2019 £'000
Interest payable and similar charges:		
On term bank loan	-	1,733
On loan from Group Undertaking	5,041	1,119
Amortisation of loan issue costs	-	2349
	<u>5,041</u>	<u>5,201</u>

Care Management Group (Acquisition) Limited

Notes to the Financial Statements *(continued)* For the year ended 29 February 2020

4. Taxation

There was no tax charge for the year (2019: £nil).

	2020 £'000	2019 £'000
Factors affecting current tax charge for the year		
Profit/(Loss) on ordinary activities before taxation	(5,041)	8,059
Tax on loss at standard UK corporation tax rate of 19% (2019: 19%)	(958)	1,531
Effects of:		
Income not taxable	-	(2,501)
Effects of group relief	958	1,315
Transfer pricing adjustment	-	(327)
Deferred tax previously not recognised	-	(18)
Current tax charge for the year	-	-

In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current rate of 19% and will not reduce to 17% from 1 April 2020. A reduction in UK corporation tax from 19% to 17% (effective from 1 April 2020) was enacted on 6 September 2016.

There is no expiry date on timing differences, unused tax losses or tax credits.

At 29 February 2020, the Company has not recognised a deferred tax asset of £829,208 (2019: £829,208) in respect of carried forward tax losses.

Care Management Group (Acquisition) Limited

Notes to the Financial Statements *(continued)* For the year ended 29 February 2020

5. Investments

	Investments in subsidiary undertakings £'000
Cost	
At 1 March 2019 and at 29 February 2020	77,400
Provision for impairment	
At 1 March 2019	-
At 29 February 2020	-
Net book value	
At 29 February 2020	77,400
At 28 February 2019	77,400

The following investments were held at the end of the period:

Name of undertaking	Description of shares held	Principal activity	Shareholding
Care Management Group (UK) Limited *	Ordinary shares of £1 each	Dormant Company	100%
Care Management Group (Holdings) Limited	Ordinary shares of £1 each	Dormant Company	100%
Care Management Group Limited	Ordinary shares of £1 each	Running care homes	100%
Care Management Group (Southern) Limited	Ordinary shares of £1 each	Dormant Company	100%
CMG Homes Limited	Ordinary shares of £1 each	Agency services for parent Company	100%
Care Management Group (Cymru) Limited	Ordinary shares of £1 each	Running care homes	100%
Blocklin House Limited	Ordinary shares of £1 each	Dormant Company	100%
Care Management Group Trustees Limited	Ordinary Shares of £1 each	Dormant Company	100%
Victoria House (UK) Limited	Ordinary Shares of £1 each	Dormant Company	100%
Wherewell Care Group Limited	Ordinary shares of £1 each	Dormant Company	100%
<i>Achieve Together Limited</i>	<i>Ordinary Shares of £1 each</i>	<i>Dormant Company</i>	100%
Solent Residential Homes Limited	Ordinary Shares of £1 each	Dormant Company	100%
Pathways (Trebanos) Limited	Ordinary Shares of £1 each	Dormant Company	100%
Alderwood LLA Limited	Ordinary Shares of £1 each	Dormant Company	100%
Fariscan Limited	Ordinary Shares of £1 each	Dormant Company	100%
CMG (Enfield) Limited	Ordinary Shares of £1 each	Dormant Company	100%
Helene Care Limited	Ordinary Shares of £1 each	Dormant Company	100%
Sevilles Limited	Ordinary Shares of £1 each	Dormant Company	100%
Philori Care Limited	Ordinary shares of £1 each	Dormant Company	100%
Homes Caring for Autism Limited	Ordinary shares of £1 each	Dormant Company	100%
Somerset HCA Limited	Ordinary shares of £1 each	Dormant Company	100%
Creative Support and Consultancy Limited	Ordinary shares of £1 each	Dormant Company	100%
Penny Meadow Life Skills Limited	Ordinary shares of £1 each	Dormant Company	100%
S. S Care Limited	Ordinary shares of £1 each	Dormant Company	100%

* Investment held directly by Care Management Group (Acquisition) Limited. All other subsidiaries are held indirectly through Care Management Group (UK) Limited.

Care Management Group (Acquisition) Limited

Notes to the Financial Statements *(continued)* For the year ended 29 February 2020

5. Investments (continued)

Care Management Group (UK) Limited holds the entire issued share capital and voting rights of Care Management Group (Holdings) Limited and Care Management Group Trustees Limited.

Care Management Group (Holdings) Limited holds the entire issued share capital of Care Management Group Limited, which in turn holds the entire issued share capital of Care Management Group (Southern) Limited, CMG Homes Limited, Care Management Group (Cymru) Limited, Victoria House (UK) Limited, Achieve Together Limited, Wherewelcome Care Group Limited, Solent Residential Homes Limited, Pathways (Trebanos) Limited, Alderwood LLA Limited, Farisean Limited, CMG (Enfield) Limited, Helene Care Limited, Sevilles Limited, Philori Care Limited, Blocklin House Limited, Homes Caring for Autism Limited, Somerset HCA Limited, Creative Support and Consultancy Limited, Penny Meadow Life Skills Limited and S. S Care Limited.

All subsidiary undertakings have the same registered office as that of the Company. The address is shown on page 1.

6. Debtors

	2020 £'000	2019 £'000
Amounts due within one year		
Amounts owed by subsidiary undertakings	48,291	48,291
	<u>48,291</u>	<u>48,291</u>

Amounts owed by Group undertakings are unsecured and are interest free. Amounts could be requested on demand at the discretion of the directors of the Company so are presented as current.

7. Creditors

	2020 £'000	2019 £'000
Amounts falling due within one year		
Accruals and deferred income	-	1,119
Amounts owed to Group undertakings	108,607	-
	<u>108,607</u>	<u>1,119</u>
Amounts falling due more than one year		
Amounts owed to Group undertakings	-	102,572
	<u>-</u>	<u>102,572</u>

The above amounts reflect the amounts repayable in principal, and do not include the unamortised issue expenses of £nil (2019: £nil). The interest applied for loans to the Galaxy Group is 8%.

The lenders have confirmed that they would not demand repayment of the intercompany balance if it was to impact the going concern position of the Company.

Care Management Group (Acquisition) Limited

Notes to the Financial Statements *(continued)* For the year ended 29 February 2020

8. Share Capital

	2020	2019
	£	£
Called up, allotted and fully paid up		
1 ordinary share of £1	1	1

9. Financial commitments

The Company is party to cross guarantees for the bank debts due by all companies within Galaxy Group Bidco Limited Group. Total amounts due as at 29 February 2020 amounted to £241.2m (2019: £230.1m). The Company's assets are securitised against the loan held.

10. Related party transactions

The Company has taken the exemption provided under FRS 102 to not disclose intercompany transactions between members of the Group where the entities are wholly owned by the parent Company.

No loans are held or have been held at any time during the year between the Company and a director.

The key management personnel of the Company are also the key management personnel of the Group and other group companies. Management do not believe it is possible to assign these costs to each individual Company. Disclosure of key management personnel costs are disclosed in the accounts of Galaxy Group Midco Limited.

11. Ultimate parent Company and controlling party

The Company is a subsidiary undertaking of Galaxy Group Bidco Limited and the ultimate Parent Company is AMP Capital Investors (European Infrastructure No 5) S.à r.l. incorporated in Luxembourg. The Company is held by funds managed by AMP Capital Investments (UK) Limited which was incorporated in the UK.

The smallest and largest Group into which the results of the Company are consolidated is Galaxy Group Bidco Limited and Galaxy Group Midco Limited respectively. The consolidated accounts of these companies may be obtained from the Companies registered address at 1st Floor, Q4 The Square, Randalls Way, Leatherhead, KT22 7TW and 3rd Floor 11-12 St. James's Square London SW1Y 4LB respectively.

12. Subsequent events

The Covid-19 pandemic is an unprecedented situation which will impact operations in the short-term, however because of the nature of business, Company is not expecting a significant impact. Budget stress testing indicates the business can operate within funding covenants for the foreseeable future. There were no other subsequent events after the balance sheet date that would materially impact the financial statements.