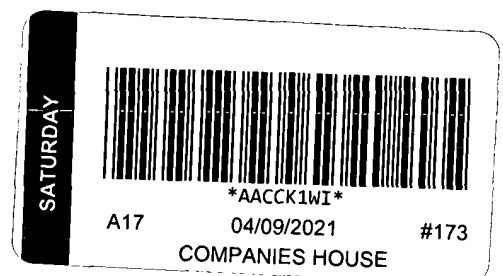


Tanglewood Care Homes Limited
Consolidated Financial Statements
For the year ended 31 December 2020
Company Number: 07745826



Tanglewood Care Homes Limited
Consolidated Financial Statements
For the year ended 31 December 2020

CONTENTS

	Page
Company Information	1
Group Strategic Report	2
Directors' Report	3
Independent Auditors' Report	4 – 6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Financial Position	8
Company Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Company Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the Consolidated Financial Statements	13 – 23

Tanglewood Care Homes Limited

Company Information

Directors

Zoe Amy Rizzuto
Helen Jayne Wetherall

Registered Office

8th Floor
1 Fleet Place
London
EC4M 7RA

Company Secretary

LHJ Secretaries Limited
3rd Floor, Liberation House
Castle Street
St. Helier
Jersey
JE1 2LH
Channel Islands

Solicitors

Pinsent Masons LLP
30 Crown Place
Earl Street
London
EC2A 4ES
United Kingdom

Administrators

Langham Hall Fund Management (Jersey) Limited
3rd Floor, Liberation House
Castle Street
St. Helier
Jersey
JE1 2LH
Channel Islands

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU
United Kingdom

Tanglewood Care Homes Limited

Group Strategic Report

For the year ended 31 December 2020

Principal activity

The principal activity of Tanglewood Care Homes Limited (the "Company") is to act as the holding company for Tanglewood (Lincolnshire) Limited and Tanglewood Properties (Lincolnshire) Limited.

Review of business

The care homes held by Tanglewood (Lincolnshire) Limited has been rented to Tanglewood Care Services Limited on fifteen year leases from 4 December 2019.

The Company is a member of the EHP Partners I LP group (the "Group").

Key performance indicators on which performance is measured

Since the Company now acts a holding company for its subsidiaries and no longer has any trading activities there are no performance indicators on which performance is measured.

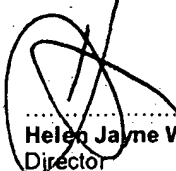
Principal risks and uncertainties

From the perspective of the Company the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately.

Governance

The Company recognises the importance of a high standard of corporate governance. The Company has adopted a robust corporate governance policy and strict compliance guidelines that are integral to all aspects of its business.

The report was approved by the board on 29 June 2021 and signed on its behalf by:



.....
Helen Jayne Wetherall
Director

Tanglewood Care Homes Limited

Directors' Report

For the year ended 31 December 2020

The Directors present the report together with the audited consolidated financial statements of Tanglewood Care Homes Ltd (the "Company") for the year ended 31 December 2020 and the comparative period from 1 February 2019 to 31 December 2019.

These consolidated financial statements of the Company have been prepared under FRS 102. The Company together with its subsidiaries (the "Group") – see Note 15 - have been consolidated in these financial statements.

Principal activities

The Company was incorporated on 18 August 2011. The Company's principal activity is to act as a holding company.

Results and dividends

The total comprehensive income for the year amounted to £69,198 (2019: £8,933,929). The Directors have not paid or declared dividends during the year (2019: £300,000).

Details of the profit for the year are set out in the consolidated financial statements and the related notes on pages 12 - 22.

Directors

The following persons served as directors during the year to date of signing:

Zoe Amy Rizzuto
Helen Jayne Wetherall
Amanda Marie Robinson (resigned on 2 October 2020)

Directors fees of £17,216 (2019: nil) were paid during the year to Langham Hall Fund Management (Jersey) Ltd in respect of Zoe Amy Rizzuto and Helen Jane Wetherall.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Group Strategic Report, Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.


Company law requires the Directors to prepare consolidated financial statements for each financial year. Under that law, the Directors have elected to prepare the consolidated financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the consolidated 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 Statement of Comprehensive Income of the Group for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Board of Directors and signed on its behalf by:



Helen Jayne Wetherall
Director
Date: 29/06/2021

Tanglewood Care Homes Limited

Independent Auditor's report

For year ended 31 December 2020

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Tanglewood Care Homes Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive income, the Consolidated Statement of Financial position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast doubt on the Group's or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Tanglewood Care Homes Limited

Independent Auditor's report

For year ended 31 December 2020

Opinions on other matters prescribed by the Companies Act 2006 (continued)

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below

Our procedures included agreeing the financial statement disclosures to underlying supporting documentation where relevant, review of Board meeting minutes, enquiries with management as to the risks of non-compliance and any instances thereof. Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to investment properties. In response to the risk of management override of controls we identified and tested journal entries, in particular any journal entries posted with unusual account combinations including unusual or unexpected journal postings to the income statement.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Tanglewood Care Homes Limited
Independent Auditor's report
For year ended 31 December 2020

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.

Geraint Jones (Senior statutory auditor)
For and on behalf of BDO LLP, Statutory auditor,
London, United Kingdom

Date

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

Tanglewood Care Homes Limited
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

		Year ended 31 Dec 2020 Total £	1 Feb 2019 to 31 Dec 2019 Continuing operations £	1 Feb 2019 to 31 Dec 2019 Discontinued operations £	1 Feb 2019 to 31 Dec 2019 Total £
	Note				
Income	6	622,332	46,085	9,143,336	9,189,421
Cost of sales		-	-	(5,416,459)	(5,416,459)
Gross profit		622,332	46,085	3,726,877	3,772,962
Expenses					
Administrative and other expenses	7	(159,931)	-	(2,688,795)	(2,688,795)
Operating profit before changes in fair value		462,401	46,085	1,038,082	1,084,167
Changes in fair value of investment property	10	159,900	(2,070,000)	-	(2,070,000)
Realised loss on disposal of subsidiary		-	(4,111,717)	-	(4,111,717)
Operating profit/(loss)		622,301	(6,135,632)	1,038,082	(5,097,550)
Finance cost	8	(861,675)	-	(147)	(147)
Loss for the year/period before tax		(239,374)	(6,135,632)	1,037,935	(5,097,697)
Taxation credit/(charge)	9	308,572	1,556,485	-	1,556,485
Profit/(loss) for the year/period		69,198	(4,579,147)	1,037,935	(3,541,212)
Other comprehensive income for the year/period					
Unrealised surplus on revaluation on property, plant and equipment		-	12,475,141	-	12,475,141
Total comprehensive income for the year/period		69,198	7,895,994	1,037,935	8,933,929


The accompanying notes on pages 13 to 23 form part of the consolidated financial statements

Tanglewood Care Homes Limited
Company Number: 07745826
Consolidated Statement of Financial Position
As at 31 December 2020

	Note	As at 31 Dec 2020 £	As at 31 Dec 2019 £
Assets			
Non-current assets			
Investment property	10	7,960,000	7,800,000
Total non-current assets		7,960,000	7,800,000
Current assets			
Trade and other receivables	12	38,664,841	16,162,010
Current tax asset	9	40,842	-
Total current assets		38,705,683	16,162,010
Total assets		46,665,683	23,962,010
Liabilities			
Current liabilities			
Current tax liability	9	-	206,538
Trade and other payables	13	350,637	50,916
Total current liabilities		350,637	257,454
Non-current liabilities			
Bank borrowings	14	22,639,588	-
Deferred tax liability	9	29,230	128,086
Total non-current liabilities		22,668,818	128,086
Total net assets		23,646,228	23,576,470
Equity			
Share capital	17	100	100
Share premium	18	7,287,193	7,287,193
Capital contribution reserve	19	560	-
Retained earnings		16,358,375	16,289,177
Total equity		23,646,228	23,576,470

These financial statements have been prepared and delivered in accordance with FRS 102 'The Financial Reporting Standards applicable in the UK and Republic of Ireland'.

These financial statements were approved by the board of directors and authorised for issue on 29/12/2021 and are signed on behalf of the board by:


Helen Jayne Wetherall
Director

The accompanying notes on pages 13 to 23 form part of the consolidated financial statements


Tanglewood Care Homes Limited
Company Number: 07745826
Company Statement of Financial Position
As at 31 December 2020

	Note	As at 31 Dec 2020 £	As at 31 Dec 2019 £
Assets			
Non-current assets			
Investment in subsidiary	11	13,392,681	13,392,121
Total non-current assets		13,392,681	13,392,121
Current assets			
Trade and other receivables	12	2,088	-
Current tax asset	9	40,842	-
Total current assets		42,930	-
Total assets		13,435,611	13,392,121
Liabilities			
Current liabilities			
Trade and other payables	13	10,027,492	9,948,320
Current tax liability	9	-	36,282
Total current liabilities		10,027,492	9,984,602
Total net assets		3,408,119	3,407,519
Equity			
Share capital	17	100	100
Share premium	18	7,287,193	7,287,193
Capital contribution reserve	19	560	-
Retained earnings		(3,879,734)	(3,879,774)
Total equity		3,408,119	3,407,519

These financial statements have been prepared and delivered in accordance with FRS 102 'The Financial Reporting Standards applicable in the UK and Republic of Ireland'.

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and have not presented its own Statement of Comprehensive income in these financial statements. The profit after tax for the Company for the year was £40 (2019: Loss of £3,832,046).

These financial statements were approved by the board of directors and authorised for issue on 29/01/2021 and are signed on behalf of the board by:


Helen Jayne Wetherall
Director

The accompanying notes on pages 13 to 23 form part of the financial statements

Tanglewood Care Homes Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

	Note	Share capital	Share premium	Capital contribution reserve	Revaluation reserve	Retained earnings	Total equity
		£	£	£	£	£	£
Balance as at 1 February 2019		100	7,287,193	-	5,619,506	2,035,742	14,942,541
Comprehensive income for the period							
Loss for the period		-	-	-	-	(3,541,212)	(3,541,212)
Surplus on revaluation of property, plant and equipment		-	-	-	12,475,141	-	12,475,141
Other comprehensive income for the period		-	-	-	12,475,141	-	12,475,141
Total comprehensive income for the period		-	-	-	12,475,141	(3,541,212)	8,933,929
Transfer of revaluation reserve to retained earnings		-	-	-	(18,094,647)	18,094,647	-
Dividends paid		-	-	-	-	(300,000)	(300,000)
Balance as at 31 December 2019		100	7,287,193	-	-	16,289,177	23,576,470
Balance as at 1 January 2020		100	7,287,193	-	-	16,289,177	23,576,470
Total comprehensive income		-	-	-	-	69,198	69,198
Capital contribution reserve	19	-	-	560	-	-	560
Balance as at 31 December 2020		100	7,287,193	560	-	16,358,375	23,646,228

The accompanying notes on pages 13 to 23 form part of the consolidated financial statements

Tanglewood Care Homes Limited
Company Statement of Changes in Equity
For the year ended 31 December 2020

	Note	Share capital £	Share premium £	Capital contribution reserve £	Retained earnings £	Total equity £
Balance as at 1 February 2019		100	7,287,193	-	252,272	7,539,565
Total comprehensive loss		-	-	-	(3,832,046)	(3,832,046)
Dividends paid		-	-	-	(300,000)	(300,000)
Balance as at 31 December 2019		<u>100</u>	<u>7,287,193</u>	<u>-</u>	<u>(3,879,774)</u>	<u>3,407,519</u>
Balance as at 1 January 2020		100	7,287,193	-	(3,879,774)	3,407,519
Total comprehensive income		-	-	-	40	40
Capital contribution reserve	19	-	-	560	-	560
Balance as at 31 December 2020		<u>100</u>	<u>7,287,193</u>	<u>560</u>	<u>(3,879,734)</u>	<u>3,408,119</u>

The accompanying notes on pages 13 to 23 form part of the financial statements

Tanglewood Care Homes Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2020

		Year ended	1 Feb 2019 to
		31 Dec 2020	31 Dec 2019
	Note	£	£
Cash flows from operating activities			
Profit/(loss) for the year/period		69,198	(3,541,212)
Adjustments for:			
Depreciation of tangible assets		-	713,769
Interest paid	8	861,675	147
Taxation (credit)/charge		(347,726)	(1,556,485)
Changes in fair value of investment property		(159,900)	2,070,000
Decrease in stocks		-	47,135
(Increase)/decrease in trade and other receivables		(22,502,931)	21,952,510
Increase/(decrease) in trade and other payables		299,721	(1,023,883)
Tax paid		(1,490)	-
Net cash flow (used in)/generated from operating activities		(21,778,473)	18,661,981
Cash flows from Investing activities			
Purchase of tangible fixed assets		-	(1,809,281)
Net cash used in Investing activities		-	(1,809,281)
Cash flows from financing activities			
Capital contribution from parent		560	-
Proceeds from bank borrowings		23,000,000	-
Loan arrangement fees paid		(457,831)	-
Repayment of bank loan		-	(18,066,005)
Repayment of bank overdraft		-	(265,562)
Dividends paid		-	(300,000)
Interest paid	8	(764,256)	(147)
Net cash flow generated from/(used in) financing activities		21,778,473	(18,631,714)
Net increase/(decrease) in cash and cash equivalents		-	(1,779,014)
Cash and cash equivalents at the beginning of the year/period		-	1,779,014
Cash and cash equivalents at the end of the year/period		-	-

The accompanying notes on pages 13 to 23 form part of the consolidated financial statements

Tanglewood Care Homes Limited

Notes to the Consolidated Financial Statements

1. Corporate information

Tanglewood Care Homes Limited (the "Company") is a registered private company incorporated in England and Wales with registration number 07745826. The address for the registered office is 8th Floor, 1 Fleet Place, London, England, EC4M 7RA.

The consolidated financial statements incorporate the results of the Company and its subsidiary undertakings (the "Group"). The Group is also a member of the EHP Partners I LP group.

2. Basis of preparation

The Group's consolidated financial statements have been prepared on a going concern basis in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments, which have been measured at fair value through the Consolidated Statement of Comprehensive Income.

• Basis of consolidation

The consolidated financial statements present the results of the Group as if they form a single entity. Intercompany transactions and balances between the Group are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. The entities are removed from the consolidation from the date control ceases.

• Functional and presentation currency

The Group financial information is presented in Sterling (£) which is also the Group's functional currency and values are rounded to the nearest £ except where indicated otherwise.

3. Statement of going concern

The main risk from Covid-19 for the Company is that the tenants of the properties do not pay their rent, leaving the Company unable to meet bank financing commitments. The bank facility is repayable in March 2023 (HSBC). There are quarterly covenant tests required on the facility, testing: Loan to Value, Debt Service Cover and Interest Service Cover with the ability to cure any failed test with additional equity at least once in any year.

Under the terms of the lease there is good visibility on the current trading of the tenant businesses and see increasing occupancy driven by; new residents seeking a safer environment in which to be cared for and increased demand for beds from NHS / Local authorities for patients that need to be discharged from hospitals to free up beds. With this increased occupancy the Company are seeing increasing profitability and the Company would therefore expect the tenant to remain in a strong position to continue to pay their rent on time, as they have done to date. There is significant headroom on loan to value covenants.

The Directors have formed a judgement at the time of approving the financial statements, that there is a reasonable expectation of the Company having adequate resources to continue in operational existence for the foreseeable future as they are currently in a net liability position and there is an expectation that finance will remain available to pay the current liabilities of £350,637 (2019: £257,454). The Directors have prepared the financial statements on a going concern basis.

4. Significant accounting judgements, estimates and assumptions

In application of the Group'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 judgements and associated assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Tanglewood Care Homes Limited

Notes to the Consolidated Financial Statements

4. Significant accounting judgements, estimates and assumptions (continued)

Estimates (continued):

Valuation of investment properties

The Group uses the valuation carried out by its Independent Valuer as the fair value of its property portfolio. The valuation is based upon assumptions including future rental income and the appropriate capitalisation rate. The Independent Valuer makes reference to market evidence of transactions prices for similar properties.

The Group's properties have been independently valued by Knight Frank LLP (the 'Independent Valuer') in accordance with the definitions published by the Royal Institute of Chartered Surveyors ('RICS') Valuation - Professional Standards, July 2017, Global and UK Editions (commonly known as the 'Red Book').

The Group adopt a policy of revaluing its property portfolio. The valuation is re-assessed annually and external valuers are used as management's experts on a periodic basis. The valuation techniques used to value these properties are based upon historical financial performance as well as management's projections and plan going forward. The valuation is also based upon the expected movement in the property market as well as the occupancy levels at each individual home. External market factors may impact future valuations.

Judgements:

Classification of lease arrangements - the Group as lessor

The Group has acquired investment property that is leased to tenants. In considering the classification of lease arrangements, at inception of each lease the Group considers the economic life of the asset compared with the lease term and the present value of the minimum lease payments and any residual value compared with the fair value and associated costs of acquiring the asset as well as qualitative factors as indicators that may assert to the risks and rewards of ownership having been substantially retained or transferred. Based on evaluation the Group has determined that it retains all the significant risks and rewards of ownership of its Investment property and accounts for lease arrangements as operating leases.

5. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied.

• Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Group as at the year-end date.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

• Income and cash flow statements

The Group has elected to present a single Consolidated Statement of Comprehensive Income.

The Group reports cash flows from operating activities using the indirect method. Interest received is presented within investing cash flows; interest paid is presented within financing cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

• Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost, being the fair value of the consideration given, including expenditure that is directly attributable to the acquisition of the investment property. After initial recognition, investment property is stated at its fair value at the balance sheet date. Gains and losses arising from changes in the fair value of investment property are included in the period in which they arise in the Consolidated Statement of Comprehensive Income.

Subsequent expenditure is capitalised only when it is probable that future economic benefits are associated with the expenditure. Ongoing repairs and maintenance are expensed as incurred.

Tanglewood Care Homes Limited

Notes to the Consolidated Financial Statements

5. Summary of significant accounting policies (continued)

• Investment property (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is incurred in profit or loss in the period in which the property is derecognised.

Significant accounting judgements, estimates and assumptions made in the valuation of investment properties are discussed in Note 4.

• Rental income

Rental income from investment property is recognised on a straight-line basis over the expected term of ongoing leases. Lease incentives and step rents with minimum or fixed uplifts are spread evenly over the expected lease term.

Revenue includes amounts receivable in respect of property rental income and is measured at the fair value of the consideration received or receivable.

• Trade and other receivables

Financial assets recognised in the Consolidated Statement of Financial Position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

• Impairment

The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in income statement.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

• Trade and other payables

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

• Leases - The Group as Lessor

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group has determined that it retains all the significant risks and rewards of ownership of the properties and accounts for the contracts as operating leases.

• Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks.

• Taxation

Taxation on the profit or loss for the year comprises of current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised as direct movement in equity, in which case it is recognised as a direct movement in equity. Current tax is expected tax

Tanglewood Care Homes Limited

Notes to the Consolidated Financial Statements

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

5. Summary of significant accounting policies (continued)

• Taxation (continued)

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax that is provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

• Bank borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs are amortised over the lifetime of the facilities through profit or loss.

• Finance income and finance costs

Finance income is recognised as interest accrues on cash balances held by the Group. Finance costs consist of interest payable and loan arrangement fees which are expensed using the effective interest rate method over the term of the loan and other costs that the Group incurs in connection with bank and other borrowings which are expensed in the year in which they occur.

Any finance costs that are separately identifiable and directly attributable to the development of an investment property that takes a period of time to complete are capitalised as part of the cost of the asset.

6. Income

	Year ended 31 Dec 2020	1 Feb 2019 to 31 Dec 2019
	£	£
Rental income from investment property	622,038	46,085
Other income (continued operations)	294	-
Other income (discontinued operations)	-	9,143,336
	622,332	9,189,421

7. Administrative and other expenses

	Year ended 31 Dec 2020	1 Feb 2019 to 31 Dec 2019
	£	£
Legal and professional fees	92,396	-
Accounting fees	34,908	-
Administration fees	32,627	-
Other expenses (discontinued operations)	-	2,688,795
	159,931	2,688,795

8. Finance costs

	Year ended 31 Dec 2020	1 Feb 2019 to 31 Dec 2019
	£	£
Interest expense	764,256	-
Amortisation of loan arrangement fees	97,419	-
Bank charges (discontinued operations)	-	146
	861,675	146

Tanglewood Care Homes Limited

Notes to the Consolidated Financial Statements

9. Taxation

Group

	Year ended 31 Dec 2020 £	1 Feb 2019 to 31 Dec 2019 £
Current tax charge/(credit)		
Corporation tax on profits for the year/period	-	206,538
Adjustments in respect of prior period	(209,716)	-
Total current tax	(209,716)	206,538
Deferred tax charge/(credit)		
Origination and reversal of timing differences	(98,856)	(1,763,022)
Adjustments in respect of prior periods	-	-
Total deferred tax	(98,856)	(1,763,022)
Total tax credit	(308,572)	(1,556,485)

The reasons for the difference between the actual tax charge for the year and the standard rate of income tax in the UK applied to profits for the year are as follows:

Group

	Year ended 31 Dec 2020 £	1 Feb 2019 to 31 Dec 2019 £
Profit/(loss) for the year/period before tax	(239,374)	(5,097,697)
UK corporation tax at 19%	(45,481)	(968,562)
Effects of:		
Loss on disposal of subsidiary	-	757,477
Unrealised gain on valuation of investment property	(30,381)	(1,369,722)
Changes in fair value of financial instruments	-	252,893
Amounts not deductible for tax purposes	-	(348,253)
Tax adjustment on disposal of operations	-	119,682
Deferred tax movement on entry into the REIT regime	(98,856)	-
Losses not recognised	75,862	-
Prior year adjustment	(209,716)	-
Total tax charge/(credit)	(308,572)	(1,556,485)

Group - Deferred tax

	Year ended 31 Dec 2020 £	1 Feb 2019 to 31 Dec 2019 £
Deferred tax liability/(asset) brought forward	128,086	2,081,335
Origination and reversal of timing differences	(98,856)	(1,763,022)
Deferred tax adjustment on disposal of operations	-	(190,227)
Deferred tax liability/(asset) carried forward	29,230	128,086

Tanglewood Care Homes Limited

Notes to the Consolidated Financial Statements

9. Taxation (continued)

Company	Year ended 31 Dec 2020 £	1 Feb 2019 to 31 Dec 2019 £
Current tax charge/(credit)		
Corporation tax on profits for the year/period	(39,752)	36,282
Deferred tax liability		
Origination and reversal of timing differences	-	-
Total tax charge/(credit)	(39,752)	36,282

The reasons for the difference between the actual tax charge for the year and the standard rate of income tax in the UK applied to profits for the year are as follows:

Company	Year ended 31 Dec 2020 £	1 Feb 2019 to 31 Dec 2019 £
Profit/(loss) before tax	(39,712)	(3,795,764)
Tax at UK corporation tax standard rate of 19%	(7,545)	(721,195)
Effects of:		
Losses not recognised	7,545	-
Loss on disposal of subsidiary	-	757,477
Prior year adjustment	(39,752)	-
Total tax expense	(39,752)	36,282

Company - Deferred tax

	Year ended 31 Dec 2020 £	1 Feb 2019 to 31 Dec 2019 £
Deferred tax liability/(asset) brought forward	-	-
Origination and reversal of timing differences	-	-
Deferred tax liability/(asset) carried forward	-	-

Taxation on the profit or loss for the period not exempt under UK REIT regulation comprises current and deferred tax. Current tax is expected tax payable or any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the period end date, and any adjustments to tax payable in respect of previous years.

10. Investment property

	As at 31 Dec 2020 £	As at 31 Dec 2019 £
Opening balance	7,800,000	791,842
Acquisitions in the year/period	-	4,077
Transfer of properties from Property, Plant and Equipment	-	44,074,081
Disposals during the year/period	-	(35,000,000)
Changes in fair value during the year/period	160,000	(2,070,000)
Closing balance	7,960,000	7,800,000

The investment property has been independently valued at fair value by Knight Frank LLP, (the "Independent Valuer") an accredited external valuer with recognised and relevant professional qualifications and recent

Tanglewood Care Homes Limited

Notes to the Consolidated Financial Statements

experience of the location and category of the investment property being valued. The valuations are the ultimate responsibility of the Directors.

10. Investment property (continued)

The assets of the Group are held as security for a loan held by the immediate parent company.

The Independent Valuer valued the entire property portfolio at £7,960,000 as at 31 December 2020.

11. Investment in subsidiary

	As at 31 Dec 2020	As at 31 Dec 2019
	£	£
Opening balance	13,392,121	14,574,387
Additions during the year/period	560	-
Disposals during the year/period	-	(1,182,266)
Closing balance	<u>13,392,681</u>	<u>13,392,121</u>

12. Trade and other receivables

Group

	As at 31 Dec 2020	As at 31 Dec 2019
	£	£
Recoverable VAT	11,519	-
Other receivables	38,653,322	16,162,010
	<u>38,664,841</u>	<u>16,162,010</u>

Company

	As at 31 Dec 2020	As at 31 Dec 2019
	£	£
Recoverable VAT	2,088	-
	<u>2,088</u>	<u>-</u>

13. Trade and other payables

Group

	As at 31 Dec 2020	As at 31 Dec 2019
	£	£
Trade payables	63,241	-
Amounts owed to group undertakings	233,441	-
Accruals and deferred income	52,955	49,916
Other payables	1,000	1,000
	<u>350,637</u>	<u>50,916</u>

Company

	As at 31 Dec 2020	As at 31 Dec 2019
	£	£
Trade payables	32,442	-
Amounts owed to group undertakings	9,996,049	9,948,319
Other payables	1	1
	<u>10,027,492</u>	<u>9,948,320</u>

Tanglewood Care Homes Limited

Notes to the Consolidated Financial Statements

14. Bank borrowings

	As at 31 Dec 2020 £	As at 31 Dec 2019 £
Opening balance	-	18,066,005
Drawdowns	23,000,000	-
Less: loan repayments	-	(18,066,005)
Capital outstanding	23,000,000	-
Less: unamortised loan arrangement fees	(360,412)	-
Carrying value	22,639,588	-

Maturity of bank borrowings

Group

	As at 31 Dec 2020 £	As at 31 Dec 2019 £
Repayable in less than 1 year	-	-
Repayable between 1 and 2 years	-	-
Repayable between 2 and 5 years	23,000,000	-
Repayable after 5 years	-	-
	23,000,000	-

EHP BottomCo II Limited novated an amount of £23,000,000 to Tanglewood (Lincolnshire) Limited under the Clydesdale Bank plc agreement dated 4 December 2019, restated on 11 November 2020. The loan has a 4 year term from the date of the facility agreement. The loan is due to mature in December 2023.

The guarantors of the loan consists of the Company, EHP BottomCo II Limited, Tanglewood (Lincolnshire) Limited and Tanglewood Properties (Lincolnshire) Limited.

15. Consolidated entities

The Group consists of a parent entity, Tanglewood Care Homes Limited, incorporated in England and Wales a number of subsidiaries held directly by Tanglewood Care Homes Limited, which operate and are incorporated/registered in the UK or Jersey.

Name of company	Principal activity	Country of Incorporation	Ownership
Tanglewood (Lincolnshire) Limited	Property investment	UK	100.00%
Tanglewood Properties (Lincolnshire) Limited	Property investment	UK	100.00%

16. Financial risk management

The Group is exposed to liquidity risk in the current and future years. The Directors oversee the management of these risks. The policies of the Directors for managing each of these risks are summarised below.

• Liquidity risk

The Group manages its liquidity and funding risks by considering cash flow forecasts and ensuring sufficient cash balances are held within the Group to meet future needs. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of financing through appropriate and adequate credit lines, and the ability of customers to settle obligations within normal terms of credit. The Group ensures, through forecasting of capital requirements, that adequate cash is available.

The following table details the Group's liquidity analysis in respect of its financial liabilities:

31 December 2019	< 3 months £	3-12 months £	1-5 years £	> 5 years £	Total £
------------------	-----------------	------------------	----------------	----------------	------------

Tanglewood Care Homes Limited

Notes to the Consolidated Financial Statements

Trade and other payables (Note 13)	1,000	-	-	-	1,000
	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>

16. Financial risk management (continued)

- Liquidity risk (continued)

31 December 2020	< 3 months	3-12 months	1-5 years	> 5 years	Total
	£	£	£	£	£
Bank borrowings (Note 14)	-	-	22,639,588	-	22,639,588
Trade and other payables (Note 13)	297,682	-	-	-	297,682
	<u>297,682</u>	<u>-</u>	<u>22,639,588</u>	<u>-</u>	<u>22,937,270</u>

- Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the parent and to maintain an optimal capital structure to reduce the cost of capital.

The Group considers proceeds from share issuance, bank borrowings and retained earnings as capital. The Group's policy on borrowing is as set out below:

- The level of borrowing will be on a prudent basis for the asset class, and will seek to achieve a low cost of funds, whilst maintaining flexibility in the underlying security requirements and the structure of the Group.

17. Share capital

	As at 31 Dec 2020 £	As at 31 Dec 2019 £
Authorised		
100,000 Ordinary Shares of £0.001 each	100	100
Issued and fully paid:		
100,000 Ordinary Shares of £0.001 each	100	100

Share capital represents the nominal value of the capital subscribed for.

18. Share premium

The share premium relates to amounts subscribed for share capital in excess of the nominal value net of directly attributable share issue costs.

	As at 31 Dec 2020 £	As at 31 Dec 2019 £
Opening balance	7,287,193	7,287,193
Closing balance	<u>7,287,193</u>	<u>7,287,193</u>

19. Capital contribution reserve

The capital contribution reserve relates to the capital contributed by EHP BottomCo II Limited during the year for no consideration.

	As at 31 Dec 2020 £	As at 31 Dec 2019 £
Opening balance	-	-
Capital contribution during the year/period	560	-
Closing balance	<u>560</u>	<u>-</u>

Tanglewood Care Homes Limited

Notes to the Consolidated Financial Statements

20. Operating leases - The Group as lessor

The future minimum lease receivable by the Group under operating leases as at 31 December 2020 are as follows:

As at 31 Dec 2019	< 1 year £	2-5 years £	> 5 years £	Total £
Rent receivable	625,663	2,624,983	7,483,080	10,733,726

As at 31 Dec 2020	< 1 year £	2-5 years £	> 5 years £	Total £
Rent receivable	636,435	2,677,446	6,794,183	10,108,063

All of the Group's leases:

- Provide for fixed rents which are reviewed on an upward only annual basis. The rent reviews are directly linked to inflation or on a fixed basis;
- have long contractual terms, averaging 15 years to first break

21. Employees

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

	As at 31 Dec 2020 No.	As at 31 Dec 2019 No.
Employees	-	354

Group

The employee costs for the year was £nil (2019: £5,046,957).

The director's remuneration for the year was £nil (2019: £nil).

Company

The employee costs for the period was £nil (2019: 879,175).

The director's remuneration for the year was £nil (2019: £nil).

22. Post balance sheet events

No significant events have occurred after 31 December 2020 to the date the Directors approved the consolidated financial statements.

23. Contingencies and commitments

There were no contingent liabilities as at 31 December 2020.

24. Related party disclosures

As at 31 December 2020, included in trade and other receivables is an interest free loan amount of £38,652,762 (2019: £16,162,010) owed to Tanglewood (Lincolnshire) Limited from EHP BottomCo II Limited, a company registered in Jersey. EHP BottomCo II Limited is the immediate parent of the Company. The interest free loan amount is repayable on demand.

As at 31 December 2020, included in trade and other payables is an interest free loan amount of £32,442 (2019: £nil) owed by the Company to EHP BottomCo II Limited, a company registered in Jersey. EHP BottomCo II Limited is the immediate parent of the Company. The interest free loan amount is repayable on demand.

As at 31 December 2020, included in trade and other payables is an interest free loan amount of £46,730 (2019: £nil) owed by the Company to EHP MidCo Limited, a company registered in Jersey. EHP BottomCo II Limited is wholly owned by EHP MidCo Limited. The interest free loan amount is repayable on demand.

Tanglewood Care Homes Limited

Notes to the Consolidated Financial Statements

24. Related party disclosures (continued)

As at 31 December 2020, included in trade and other payables is an interest free loan amount of £178,483 (2019: £nil) owed by Tanglewood (Lincolnshire) Limited to EHP MidCo Limited, a company registered in Jersey. EHP BottomCo II Limited is wholly owned by EHP MidCo Limited. The interest free loan amount is repayable on demand.

As at 31 December 2020, included in trade and other payables is an interest free loan amount of £8,228 (2019: £nil) owed by Tanglewood Properties (Lincolnshire) Limited to EHP MidCo Limited, a company registered in Jersey. EHP BottomCo II Limited is wholly owned by EHP MidCo Limited. The interest free loan amount is repayable on demand.

As at 31 December 2020, included in trade and other payables is an interest free loan amount of £15,184 (2019: £nil) owed by Tanglewood (Lincolnshire) Limited to EHP TopCo Limited, a company registered in Jersey. EHP MidCo Limited is owned by EHP TopCo Limited. The interest free loan amount is repayable on demand.

Directors fees of £17,216 (2019: nil) were paid during the year to Langham Hall Fund Management (Jersey) Ltd in respect of Zoe Amy Rizzuto and Helen Jane Wetherall.

25. Ultimate controlling party

The Company is wholly owned by its immediate parent EHP BottomCo II Limited, a company incorporated in Jersey. There is no ultimate controlling party.

26. Comparative information

The accounting period for the comparative information was shortened in order to be in line with the parent company, EHP BottomCo II Limited's year-end. Accordingly the comparative information is for the period from 1 February 2019 to 31 December 2019 and therefore the comparative amounts presented in the consolidated financial statements including the notes are not entirely comparable.