

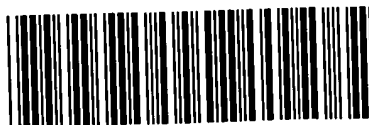
Registration number: 12278160

# Barchester Finco 2019 Limited

Annual Report and Consolidated Financial Statements

for the Period from 23 October 2019 to 31 December 2020

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## **Barchester Finco 2019 Limited**

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## **Barchester Finco 2019 Limited**

### **Company Information**

<b>Directors</b>	Mike O'Reilly Pete Calveley Mark Hazlewood
<b>Company Secretary</b>	Mike O'Reilly
<b>Registered office</b>	3rd Floor, The Aspect 12 Finsbury Square London EC2A 1AS
<b>Auditor</b>	KPMG LLP Chartered Accountants Salt Quay House 6 North East Quay Plymouth PL4 0HP

## **Barchester Finco 2019 Limited**

### **Strategic Report for the period from 23 October 2019 to 31 December 2020**

The directors present their strategic report for the period from 23 October 2019 to 31 December 2020.

#### **Principal activity**

The principal activity of the Company is that of an investment holding company. The core principal activity of the Company's subsidiary undertakings is the operation of care homes with related care services.

#### **Fair review of the business**

On 8 January 2020, Barchester Finco 2019 Limited acquired the entire share capital of Barchester (CB) Limited and Barchester (AM) Limited.

Barchester (CB) Limited operates in excess of 1,500 beds across 24 care homes and employs approximately 1,600 members of staff. Barchester (AM) Limited holds land for potential future developments.

The COVID-19 pandemic has had an impact on Barchester, as it has the whole sector. It has been a difficult period for our residents, their loved ones and our staff. Sadly, despite our best efforts, a sharp increase in the number of deaths was seen in April 2020 in our homes as the first wave of the virus spread across the country. Reduced new admissions in the year also prevented occupancy recovering to pre-pandemic levels. Our teams have worked incredibly hard during the year and have shown remarkable dedication to looking after those we care for.

Total revenue in the period was £59.0m and was entirely generated by Barchester (CB) Limited. The Group incurred an operating loss of £8.7m.

The operating loss of £8.7m is further analysed below:

- EBITDAR - £19.3m;
- Depreciation and amortisation - £6.2m;
- Reduction in the valuation of freehold land and buildings taken to profit and loss - £16.4m;
- Rent - £4.8m;
- Restructuring costs - £0.6m

Government grant income of £1.0m has been recognised in the period. Most of this has come from the Infection Control Fund from central government (a financial package designed to assist the sector in preventing the spread of COVID-19 through various measures such as the promotion of single site working).

The larger COVID-19 related costs that the Group has incurred during the period are £0.5m of bonus payments for front-line staff in recognition of their exceptional hard work, £0.2m of PPE and £0.4m of sick pay. Other additional costs incurred as a result of the pandemic include the purchase of additional cleaning materials, communication costs, training costs, paying top up pay to those staff that were furloughed as a result of shielding and the cost of additional staff hours for testing.

The Group's freehold land and buildings were revalued in the period. This has resulted in a reduction in valuation of £10.8m to £126.2m. Of the £10.8m reduction in valuation, £5.6m has been recognised as a surplus on revaluation through the statement of comprehensive income. The balance of £16.4m has been debited to the profit and loss account. This debit has been included within operating costs and therefore results in a decrease to operating profit.

## **Barchester Finco 2019 Limited**

### **Strategic Report for the period from 23 October 2019 to 31 December 2020**

#### **Principal risks and uncertainties & key performance indicators**

The Board analyse key risks to the business and monitor exposure to these risks through a series of Key Performance Indicators (KPIs). These KPIs are reviewed to ensure that the Group is achieving its principal objectives of providing the highest quality of care for residents and patients, at the same time ensuring that the infrastructure is as fully and efficiently utilised as possible to provide appropriate returns to shareholders.

The key risks identified are as follows:

#### *Clinical quality risk*

We are committed to the need to provide a consistent level of care. We have invested in a number of key areas to monitor care provision, including a specialist dementia team, clinical development nurses and a more rigorous programme of quality inspections. The business operates sophisticated levels of performance monitoring with regular reporting to senior management and the Board of any potential issues. In addition, a comprehensive programme of service audits is undertaken across all homes with reports and resulting action plans being the subject of comprehensive review. Perhaps most importantly, the Board encourages a culture of reporting any minor concerns from staff, residents and relatives, all of which are appropriately investigated. There is increased awareness of regulatory changes at Board level and regular briefing updates are being used to ensure appropriate knowledge transfer to staff throughout the business.

KPIs used:

regulatory compliance (both internal and external);  
various indicators of clinical well-being; and  
number of hours for staffing (employed and agency).

#### *Health & Safety*

We understand the need to provide a safe environment for our staff, residents, their guests or anyone else on our premises. Everyone in our business has accountability for health and safety, and they are given the necessary tools (including training, safety equipment and resources) to operate safely. Compliance is organised and monitored through a dedicated health and safety team across the business.

KPIs used:

notifiable accident frequency; and  
accident statistics.

## **Barchester Finco 2019 Limited**

### **Strategic Report for the period from 23 October 2019 to 31 December 2020**

#### Public spending policy

Continued pressure is being exerted to reduce Government and Local Authority spending, which is manifesting itself increasingly in the reduction of fees being paid for the care of funded residents. To mitigate this, we undertake robust fee negotiations with the public sector and also focus more on the provision of space to privately funded individuals.

KPIs used:

average fee rates; and  
occupancy rates and mix.

#### Employment of staff

Our business thrives on the skills and expertise of the staff we employ. The shortage of appropriate labour is a potential risk to the business, this is particularly acutely felt with the national shortage of qualified nursing staff. In order to mitigate this risk, the business has a proactive Human Resources and Recruitment team.

Continuity of service and care provided to residents is vitally important to the business. In order to ensure high quality care is provided it is necessary for the business to employ well trained staff and to encourage strong staff retention. To ensure staff have appropriate skills, the business provides on-going statutory and mandatory training to all resident facing staff. Development opportunities are identified and promoted throughout the business to continue to develop staff and encourage staff retention.

In addition, the business has procedures in place to ensure continued compliance with UKBA regulations.

KPIs used:

staff turnover;  
staff training statistics; and  
number of hours for staffing (employed and agency).

#### Cost base inflation

The principal costs for the successful operation of the business include staff costs, energy and food. All of these areas are subject to on-going cost pressures in advance of inflation. In order to mitigate these areas, we have a well organised procurement process to source energy and food at the best possible rates. We have a well organised operational structure to ensure that labour is employed as effectively as possible.

KPIs used:

EBITDA and EBITDAR per bed;  
labour hours per resident per day; and  
costs per resident per day.

#### Occupancy

An inability to maintain and grow occupancy levels of both private and local authority funded residents is a potential risk to the business. In order to mitigate this risk, we have a proactive Sales and Marketing team who work alongside the operational team to monitor and review occupancy levels.

KPIs used:

occupancy rates and mix; and  
enquiry conversion rates.

## **Barchester Finco 2019 Limited**

### **Strategic Report for the period from 23 October 2019 to 31 December 2020**

#### **Future Prospects**

Sadly a second spike in Covid-19 deaths was seen in January 2021, albeit this was significantly smaller than the one seen in April 2020. This reflects the success of the vaccination programme, the regular testing programme and investment in specialist visiting facilities deployed in all homes and hospitals before Christmas 2020. Virtually all residents have been vaccinated and we implemented a mandatory vaccination policy for all staff who enter homes or hospitals as part of their work for the organisation.

We have seen a significant reduction in Covid-19 infections amongst residents, patients and staff, and life in our services seems to be returning to a more business as usual feel. Restrictions on visitors are mandated by Government, but all visitors are tested on arrival or required to provide proof of a negative Covid-19 test before entering the home.

Encouragingly, we are seeing a significant improvement in enquiries for places in the care homes and hospitals, which during May 2021 were at “normal” levels compared to pre-pandemic years. This has also seen occupancy levels increasing steadily and in a way which encourages us to believe that our base cash forecasts are achievable.

The Grove Group has traded strongly throughout 2020, and has been robust in the face of the biggest challenge ever faced by the care sector. As at the balance sheet date, it has a strong balance sheet and significant cash reserves.

Whilst we look forward to a more “normal” future, we remain vigilant with regard to Covid-19 and will maintain our testing and reporting as an early warning of any future outbreaks.

#### **Section 172 (1) statement**

The Board of Directors of Barchester Finco 2019 Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole during the current period.

In doing so, the Directors have given regard to:

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

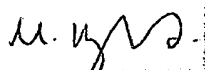
The Board considers and discusses information from across the organisation to help it understand the impact of the Group's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance as well as information covering areas such as key risks, and legal and regulatory compliance.

As a result of these activities, the Board has an overview of engagement with stakeholders, and other relevant factors, which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

**Barchester Finco 2019 Limited**

**Strategic Report for the period from 23 October 2019 to 31 December 2020**

Approved by the Board on 5 July 2021 and signed on its behalf by:



.....  
Mark Hazlewood  
Director



## **Barchester Finco 2019 Limited**

### **Directors' Report for the Period from 23 October 2019 to 31 December 2020**

The directors present their report and the financial statements for the period from 23 October 2019 to 31 December 2020.

#### **Incorporation**

The company was incorporated on 23 October 2019.

#### **Directors of the group**

The Directors who held office during the period were as follows:

Mike O'Reilly - Company secretary and director (appointed 23 October 2019)

Pete Calveley (appointed 23 October 2019)

Mark Hazlewood (appointed 23 October 2019)

#### **Proposed dividend**

The Directors do not recommend the payment of a dividend.

#### **Going concern**

The Directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in operation for the foreseeable future. The Directors therefore believe that it is appropriate to prepare the financial statements on a going concern basis. Further details are in note 2 to the financial statements.

#### **Employment of disabled persons**

It is Group policy to give fair consideration to the employment needs of disabled people and to comply with current legislation with regard to their employment. Wherever practicable, the Group continues to employ and promote the careers of existing employees who become disabled and to consider disabled persons for employment, subsequent training, career development and promotion on the basis of their aptitudes and abilities.

#### **Employee involvement**

The Directors recognise the importance of human resources. Practices to provide good communications and relations with employees include providing them with information on matters of concern to them as employees. Employees or their representatives are consulted on a regular basis so that their views can be taken into account in making decisions which are likely to affect their interests.

## **Barchester Finco 2019 Limited**

### **Directors' Report for the Period from 23 October 2019 to 31 December 2020**

#### **Greenhouse gas emissions, energy consumption and energy efficiency actions**

##### **Emissions and energy consumption**

Summary of greenhouse gas emissions and energy consumption for the period from 23 October 2019 to 31 December 2020:

		<b>2020</b>
Greenhouse gas emissions	tCO <sub>2</sub> e	3,181
Energy consumption	kWh	<u>15,950,324</u>

Summary of scope 1 (direct) greenhouse gas emissions for the period from 23 October 2019 to 31 December 2020:

Emissions from combustion of gas	tCO <sub>2</sub> e	2,089
Emissions from combustion of fuel for transport purposes	tCO <sub>2</sub> e	<u>38</u>
		<u>2,127</u>

Summary of scope 2 (indirect) greenhouse gas emissions for the period from 23 October 2019 to 31 December 2020:

Emissions from purchased electricity	tCO <sub>2</sub> e	<u>1,023</u>
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Summary of scope 3 (other indirect) greenhouse gas emissions for the period from 23 October 2019 to 31 December 2020:

Emissions from business travel in rental cars or employee owned vehicles where company is responsible for purchasing the fuel	tCO <sub>2</sub> e	<u>31</u>
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Greenhouse gas emissions have been measured in accordance with the GHG Protocol Corporate Accounting and Reporting Standard.

#### **Intensity ratio**

##### **tCO<sub>2</sub>e per available bed**

The intensity measurement calculated is tonnes of CO<sub>2</sub>e per available bed. During the period from 23 October 2019 to 31 December 2020 this was 2.03 tCO<sub>2</sub>e per available bed.

## **Barchester Finco 2019 Limited**

### **Directors' Report for the Period from 23 October 2019 to 31 December 2020**

#### **Energy efficiency actions**

Through the course of 2020, the strategy for delivering energy efficiency actions needed to adapt and focus on measures which could be achieved without placing residents, staff or suppliers at risk of Covid-19 infection. As a result, the principal measures delivered by the Grove Group are as follows:

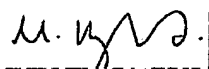
- Procurement of zero CO2 emissions Group Electricity Contract. 100% of the electricity supplied to Barchester Healthcare is now generated from Nuclear Power (rather than a mix of fossil fuels)\*;
- 23% increase in solar power generation capacity following the completion of two new build homes (an addition of 101 kWp photovoltaic panels);
- Winner of Edie Sustainability Leaders Award in Water Management for the delivery and monitoring of 138 water meter loggers saving 142,584m3 per annum;
- Completion of works to change fuel source at Hethersett Hall Care Home from oil to natural gas saving 54 tCO2 per annum;
- Development of Energy Performance League Table to raise care home/hospital staff awareness of energy use (introduction delayed until Easter 2021); and
- LED lighting upgrades to 26 care homes offering estimated saving of 35tCO2 per annum (11 care homes completed with 15 care homes delayed).

\*The zero CO2 emissions supply contract is set until March 2023, beyond this will be dependent on the market at the time of procurement.

#### **Disclosure of information to the auditor**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 5 July 2021 and signed on its behalf by:



.....  
Mark Hazlewood  
Director

## **Barchester Finco 2019 Limited**

### **Statement of Directors' Responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors 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 apply them consistently;
- make judgements and accounting 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
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 Group and the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent 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 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Barchester Finco 2019 Limited**

### **Independent Auditor's Report to the Members of Barchester Finco 2019 Limited**

#### **Opinion**

We have audited the financial statements of Barchester Finco 2019 Limited (the 'company') for the period from 23 October 2019 to 31 December 2020, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the period 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation.

## **Barchester Finco 2019 Limited**

### **Independent Auditor's Report to the Members of Barchester Finco 2019 Limited**

#### **Fraud and breaches of laws and regulations - ability to detect**

##### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management and directors
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that bed fees are recorded in the wrong period.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, journals with unusual combinations, unusual cash journals, and journal entries containing specific wording
- Evaluated the business purpose of significant unusual transactions
- Assessing significant accounting estimates for bias

## **Barchester Finco 2019 Limited**

### **Independent Auditor's Report to the Members of Barchester Finco 2019 Limited**

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery law, certain aspects of company legislation and Care Quality Commission regulation, recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## **Barchester Finco 2019 Limited**

### **Independent Auditor's Report to the Members of Barchester Finco 2019 Limited**

#### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required 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 parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their 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; 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; assessing the group and 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 they 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**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



## **Barchester Finco 2019 Limited**

### **Independent Auditor's Report to the Members of Barchester Finco 2019 Limited**

#### **The purpose of our audit work and to whom we owe our responsibilities**

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.

Ian Brokenshire

Ian Brokenshire (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
Salt Quay House  
6 North East Quay  
Plymouth  
PL4 0HP

Date: 9 July 2021

# Barchester Finco 2019 Limited

## Consolidated Profit and Loss Account for the Period from 23 October 2019 to 31 December 2020

		23 October 2019 to 31 December 2020 £ 000
	Note	
Turnover	3	59,033
Cost of sales		<u>(51,277)</u>
Gross profit		7,756
Administrative expenses		(17,462)
Other operating income	4	<u>1,039</u>
Operating loss	5	<u>(8,667)</u>
Interest payable and similar charges	7	<u>(3,417)</u>
		<u>(3,417)</u>
Loss before tax		(12,084)
Taxation	11	<u>1,717</u>
Loss for the financial period		<u><u>(10,367)</u></u>
<b>Profit attributable to:</b>		
Owners of the company		<u><u>(10,367)</u></u>

The above results were derived from continuing operations.

**Barchester Finco 2019 Limited**

**Consolidated Statement of Comprehensive Income for the Period from 23 October 2019  
to 31 December 2020**

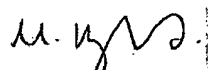
	<b>23 October 2019 to 31 December 2020 £ 000</b>
Loss for the period	<u>(10,367)</u>
Surplus on tangible assets revaluation	5,616
Deferred tax on tangible assets revaluation	<u>(950)</u>
	<u>4,666</u>
Total comprehensive income for the period	<u><u>(5,701)</u></u>
<b>Total comprehensive income attributable to:</b>	
Owners of the company	<u><u>(5,701)</u></u>

The notes on pages 23 to 41 form an integral part of these financial statements.

**Barchester Finco 2019 Limited**  
**(Registration number: 12278160)**  
**Consolidated Balance Sheet as at 31 December 2020**

	Note	31 December 2020 £ 000
<b>Fixed assets</b>		
Intangible assets	12	7,786
Tangible assets	13	<u>148,288</u>
		<u>156,074</u>
<b>Current assets</b>		
Stocks	16	99
Debtors	17	7,260
Cash at bank and in hand		<u>4,867</u>
		12,226
<b>Creditors: Amounts falling due within one year</b>	18	<u>(92,427)</u>
<b>Net current liabilities</b>		<u>(80,201)</u>
<b>Total assets less current liabilities</b>		75,873
<b>Creditors: Amounts falling due after more than one year</b>	18	(69,300)
<b>Provisions for liabilities</b>		<u>(12,274)</u>
<b>Net liabilities</b>		<u><u>(5,701)</u></u>
<b>Capital and reserves</b>		
Share capital	20	-
Revaluation reserve		4,666
Profit and loss account		<u>(10,367)</u>
Equity attributable to owners of the Company		<u>(5,701)</u>
<b>Total equity</b>		<u><u>(5,701)</u></u>

Approved and authorised by the Board on 5 July 2021 and signed on its behalf by:



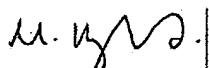
Mark Hazlewood  
Director

**Barchester Finco 2019 Limited**  
**(Registration number: 12278160)**  
**Balance Sheet as at 31 December 2020**

	Note	31 December 2020 £ 000
<b>Fixed assets</b>		
Investments	14	107,747
<b>Current assets</b>		
Debtors	17	52,673
Cash at bank and in hand		<u>4</u>
		52,677
<b>Creditors: Amounts falling due within one year</b>	18	<u>(94,323)</u>
<b>Net current liabilities</b>		<u>(41,646)</u>
<b>Total assets less current liabilities</b>		66,101
<b>Creditors: Amounts falling due after more than one year</b>	18	<u>(69,300)</u>
<b>Net liabilities</b>		<u>(3,199)</u>
<b>Capital and reserves</b>		
Share capital	20	-
Profit and loss account		<u>(3,199)</u>
<b>Total equity</b>		<u>(3,199)</u>

The company made a loss after tax for the financial period of £3,199,000.

Approved and authorised by the Board on 5 July 2021 and signed on its behalf by:



Mark Hazlewood  
Director

**Barchester Finco 2019 Limited**

**Consolidated Statement of Changes in Equity for the Period from 23 October 2019 to 31 December 2020**

**Equity attributable to the parent company**

	<b>Share capital £ 000</b>	<b>Revaluation reserve £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total equity £ 000</b>
At 23 October 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the period	-	-	(10,367)	(10,367)
Other comprehensive income	<u>-</u>	<u>4,666</u>	<u>-</u>	<u>4,666</u>
Total comprehensive income	<u>-</u>	<u>4,666</u>	<u>(10,367)</u>	<u>(5,701)</u>
At 31 December 2020	<u>-</u>	<u>4,666</u>	<u>(10,367)</u>	<u>(5,701)</u>

The notes on pages 23 to 41 form an integral part of these financial statements.

# **Barchester Finco 2019 Limited**

## **Statement of Changes in Equity for the Period from 23 October 2019 to 31 December 2020**

	<b>Share capital £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total £ 000</b>
At 23 October 2019	-	-	-
Loss for the period	-	(3,199)	(3,199)
Total comprehensive income	-	(3,199)	(3,199)
At 31 December 2020	-	(3,199)	(3,199)

# Barchester Finco 2019 Limited

## Consolidated Statement of Cash Flows for the Period from 23 October 2019 to 31 December 2020

	23 October 2019 to 31 December 2020 £ 000
Note	
<b>Cash flows from operating activities</b>	
Loss for the period	(10,367)
Adjustments to cash flows from non-cash items:	
Depreciation and amortisation	5      6,162
Impairment loss on tangible fixed assets	16,430
Finance costs	7      3,417
Income tax expense	11      (1,717)
	<u>13,925</u>
Working capital adjustments	
Increase in stocks	16      (99)
Increase in trade debtors	17      (4,959)
Increase in trade creditors	18      82,376
Cash generated from operations	91,243
Income taxes paid	<u>(2,625)</u>
Net cash flow from operating activities	<u>88,618</u>
<b>Cash flows from investing activities</b>	
Acquisition of tangible assets	(1,813)
Purchase of subsidiary undertaking	15      (107,747)
Net cash acquired with subsidiary undertaking	15      11,856
Net cash flows from investing activities	15 <u>(97,704)</u>
<b>Cash flows from financing activities</b>	
Interest paid	(3,417)
Repayment of bank borrowing	(27,242)
Proceeds from other borrowing draw downs	69,300
Repayment of other borrowing	<u>(24,688)</u>
Net cash flows from financing activities	<u>13,953</u>
Net increase in cash and cash equivalents	4,867
Cash and cash equivalents at 23 October	<u>-</u>
Cash and cash equivalents at 31 December	<u><u>4,867</u></u>



## **Barchester Finco 2019 Limited**

### **Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020**

#### **1 General information**

The company is a private company limited by share capital, incorporated in the United Kingdom.

These financial statements were authorised for issue by the Board on 5 July 2021.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The functional and presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £'000.

##### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

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; and
- No separate parent company Cash Flow Statement with related notes is included.

##### **Summary of disclosure exemptions**

As the Company is a wholly owned subsidiary of Grove Limited, by virtue of FRS 102 Section 33.1A the Company has not disclosed transactions with wholly owned entities which form part of the Group.

##### **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2020.

## **Barchester Finco 2019 Limited**

### **Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020**

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

## **Barchester Finco 2019 Limited**

### **Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020**

#### **Going concern**

Notwithstanding net current liabilities of £80,201,000 as at 31 December 2020, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors of Grove Limited (the Company's ultimate parent undertaking) have prepared cash flow forecasts for Grove Limited and its subsidiaries (the Group), of which this sub group is a member, for a period of 18 months from the date of approval of these financial statements.

The Group meets its day to day working capital requirements through its cash reserves, bank loans and shareholder loans. The Board have prepared forecasts for the remainder of 2021 and the twelve months ended 31 December 2022. These forecasts take into account the impact of Covid-19 to date, and revised expectations in relation to occupancy, labour costs and additional related costs (such as PPE, anticipated on-going testing and a full programme of capital expenditure).

The Board has also reviewed the impact of a possible "third wave" of Covid-19 and the impact on cash should this arise due to an increase in deaths. Steps have been taken to mitigate against the impacts of such an outbreak, and the reduction in the incidence of Covid-19 cases in residents, patients and staff has been reassuring. The steps taken by the Board include:

- Mandatory vaccination of all staff who have a role which requires them to work in any of our homes or hospitals at any time.
- Mandatory vaccination of any new residents moving in.
- Maintaining our independent supply chain for PPE (as we did throughout 2021).
- Commitment to on-going testing of residents, patients, staff, visitors and contractors who enter any home or hospital.

In particular, we believe that our position on vaccinations should mean that any increase in cases in the general population should not translate directly into increased cases in the homes and hospitals.

The Board also considered the impact on cash forecasts should occupancy be impacted by a further reduction in demand from residents or their families. The Board is satisfied that mitigations are in place to address demand pressures.

Our forecasts, including the downside sensitivities, indicate that the Group will have sufficient cash resources for the forecast period through to December 2022. In addition to the forecast cash surplus, the Group has a £20 million revolving credit facility available from NatWest. This is forecast not to be required at any time throughout the forecast period, even in the downside sensitised cases described above. In addition, there are a number of areas of discretionary expenditure which could be reduced if necessary and sufficient assets on the balance sheet that could be used to raise additional debt if required.

Furthermore, the Company is dependent on the Company's ultimate parent company (Grove Limited) and the Company's fellow subsidiaries not seeking repayment of the amounts currently due to the Group which at 31 December 2020 amounted to £151,127,000. Grove Limited and the Company's fellow subsidiaries have indicated that they do not intend to seek repayment of these amounts during the next 12 months. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## **Barchester Finco 2019 Limited**

### **Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020**

#### **Key sources of estimation uncertainty**

Freehold land and buildings are stated at valuation. Where a full Red Book valuation is not performed in a given year on a specific property, the Directors are required to value the property using professional judgement. In such cases, the Directors instruct an external valuer with relevant experience in the sector to perform a desktop valuation on which the Directors' valuation is based.

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

The Group makes an estimate of the recoverable value of amounts owed by debtors. When assessing impairment of debtors, management considers factors including the ageing profile of debtors and historical experience.

#### **Revenue recognition**

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The group recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity; and
- specific criteria have been met for each of the group's activities.

#### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

## **Barchester Finco 2019 Limited**

### **Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020**

#### **Tangible assets**

The Directors consider it appropriate for land and buildings to be revalued rather than being accounted for under the historic cost method.

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the carrying value does not differ significantly from the fair value at the balance sheet date. Valuations of care homes are calculated on an existing use basis.

Impairment reviews are undertaken where there are indications that the carrying value may not be recoverable. An impairment loss on assets carried at cost is recognised in the profit and loss account to reduce the carrying value to the recoverable amount. An impairment loss on assets carried at revalued amount is recognised in the revaluation reserve, except where an asset is revalued below historical cost, in which case the deficit is recognised in the profit and loss account.

Increases in the carrying amount of land and buildings arising on revaluation are recognised in the revaluation reserve or in the profit and loss account if reversing a previous profit and loss impairment. Decreases in the carrying amount are recognised in the revaluation reserve where they reverse previous increases of the same asset; all other decreases are recognised in the profit and loss account.

All other tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

#### **Depreciation**

Depreciation is charged so as to write off the historical cost, valuation or acquired fair value of assets less their estimated residual value, other than land and properties under construction, over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Freehold land and buildings	straight line over 50 years
Long leasehold land and buildings	straight line over the lease term
Plant and equipment	straight line over 4 - 10 years

#### **Intangible assets**

Goodwill arising on the acquisition of a business represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the business recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired business and revalued to the closing rate at each reporting period date.

Negative goodwill arising on an acquisition is recognised on the face of the balance sheet on the acquisition date and subsequently the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered.

#### **Amortisation**

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

<b>Asset class</b>	<b>Amortisation method and rate</b>
Goodwill	straight line over 20 years

## **Barchester Finco 2019 Limited**

### **Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020**

#### **Investments**

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### **Trade debtors**

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

#### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first in, first out (FIFO) method.

#### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

## **Barchester Finco 2019 Limited**

### **Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020**

#### **Provisions**

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

#### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

#### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

### **3 Revenue**

All revenue was generated in the United Kingdom and was derived from the principal activity of the Group.

### **4 Other operating income**

The analysis of the Group's other operating income for the period is as follows:

	<b>2020</b>
	<b>£ 000</b>
Government grants	<u>1,039</u>

## Barchester Finco 2019 Limited

### Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020

#### 5 Operating loss

Arrived at after charging/(crediting)

	23 October 2019 to 31 December 2020 £ 000
Depreciation expense	5,760
Amortisation expense	402
Impairment loss	16,430
Operating lease expense - property	<u>4,785</u>

#### 6 Government grants

Grants received relate to funding provided by both central and local government to the sector to assist during the COVID-19 pandemic.

The amount of grants recognised in the financial statements was £1,039,000.

There are no unfulfilled conditions or other contingencies attaching to grants that have been recognised in income.

#### 7 Interest payable and similar charges

	23 October 2019 to 31 December 2020 £ 000
Interest on obligations under finance leases and hire purchase contracts	1
Other finance costs	9
Interest payable on loans from group undertakings	<u>3,407</u>
	<u>3,417</u>

#### 8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £ 000
Wages and salaries	29,769
Social security costs	2,092
Pension costs, defined contribution scheme	<u>533</u>
	<u>32,394</u>



## **Barchester Finco 2019 Limited**

### **Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020**

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

	<b>2020 No.</b>
Directors	3
Administration and support	66
Care	<u>1,512</u>
	<u><u>1,581</u></u>

#### **9 Directors' remuneration**

In the current period the Directors received remuneration for services to Grove Limited, of which Barchester Finco 2019 Limited is a subsidiary undertaking, however the proportion attributable to their services to Barchester Finco 2019 Limited is not separately identifiable.

#### **10 Auditor's remuneration**

	<b>23 October 2019 to 31 December 2020 £ 000</b>
Audit of these financial statements	50
Audit of the financial statements of subsidiaries	<u>-</u>
	<u><u>50</u></u>

## **Barchester Finco 2019 Limited**

### **Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020**

#### **11 Taxation**

Tax charged in the income statement

**23 October  
2019 to 31  
December 2020  
£ 000**

#### **Current taxation**

UK corporation tax

1,836

#### **Deferred taxation**

Arising from origination and reversal of timing differences

(3,657)

Arising from changes in tax rates and laws

104

Total deferred taxation

(3,553)

Tax receipt in the income statement

(1,717)

#### **Tax relating to items recognised in other comprehensive income or equity - group**

**2020  
£ 000**

Deferred tax related to items recognised as items of other comprehensive income

950

## Barchester Finco 2019 Limited

### Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020

The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK (19%).

The differences are reconciled as follows:

	23 October 2019 to 31 December 2020 £ 000
Loss before tax	<u>(12,084)</u>
Corporation tax at standard rate	(2,296)
Effect of expense not deductible in determining taxable profit	240
UK deferred tax expense relating to changes in tax rates or laws	104
Tax increase arising from group relief	947
Tax increase from transfer pricing adjustments	<u>(712)</u>
Total tax credit	<u>(1,717)</u>
<b>Deferred tax</b>	
<b>Group</b>	
Deferred tax assets and liabilities	
<b>2020</b>	<b>Liability £ 000</b>
Fixed asset timing differences	893
Revaluation of land and buildings	<u>11,381</u>
	<u>12,274</u>

# **Barchester Finco 2019 Limited**

## **Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020**

### **12 Intangible assets**

#### **Group**

	<b>Goodwill £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>		
At 23 October 2019	-	-
Acquired through business combinations	<u>8,188</u>	<u>8,188</u>
At 31 December 2020	<u>8,188</u>	<u>8,188</u>
<b>Amortisation</b>		
At 23 October 2019	-	-
Amortisation charge	<u>402</u>	<u>402</u>
At 31 December 2020	<u>402</u>	<u>402</u>
<b>Carrying amount</b>		
At 31 December 2020	<u><u>7,786</u></u>	<u><u>7,786</u></u>

The amortisation charge is included within administrative expenses.

**Barchester Finco 2019 Limited**

**Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020**

**13 Tangible assets**

**Group**

	<b>Land and buildings £ 000</b>	<b>Plant and equipment £ 000</b>	<b>Motor vehicles £ 000</b>	<b>Properties under construction £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>					
At 23 October 2019	-	-	-	-	-
Acquired through business combinations	173,573	26,132	182	1,387	201,274
Additions	-	1,402	-	412	1,814
Revaluations and impairments	(31,888)	-	-	-	(31,888)
At 31 December 2020	<u>141,685</u>	<u>27,534</u>	<u>182</u>	<u>1,799</u>	<u>171,200</u>
<b>Depreciation</b>					
At 23 October 2019	-	-	-	-	-
Acquired through business combinations	19,031	19,076	119	-	38,226
Charge for the period	3,259	2,473	28	-	5,760
Revaluation and impairments	(21,074)	-	-	-	(21,074)
At 31 December 2020	<u>1,216</u>	<u>21,549</u>	<u>147</u>	<u>-</u>	<u>22,912</u>
<b>Carrying amount</b>					
At 31 December 2020	<u>140,469</u>	<u>5,985</u>	<u>35</u>	<u>1,799</u>	<u>148,288</u>

Included within the net book value of land and buildings above is £121,801,000 in respect of freehold land and buildings and £18,668,000 in respect of long leasehold land and buildings.

## Barchester Finco 2019 Limited

### Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020

#### Revaluation

The Group's freehold land and buildings comprise nursing and residential homes. The year end valuation is based on a valuation performed by Knight Frank on 31 December 2020. The valuation represents fair value, as fully equipped and operational businesses having regard to trading potential as at the date of valuation. The valuation was undertaken in accordance with the current edition of the RICS Valuation - Global Standards, which incorporates the International Valuation Standards, and the RICS UK National Supplement. Knight Frank are members of the Royal Institute of Chartered Surveyors and have appropriate qualifications and recent experience in the locations and categories of asset being valued.

Had this class of asset been measured on a historical cost basis, its carrying amount would have been £137,034,000.

#### Impairment

##### Freehold land and buildings

The amount of impairment loss included in profit or loss is £16,430,000. The amount of impairment loss included in other comprehensive income is £Nil. The impairment loss is included in administrative expenses. The amount of reversal of impairment recognised in profit or loss is £Nil. The amount of reversal of impairment recognised in other comprehensive income is £Nil. The reversal of impairment is included in administrative expenses.

#### 14 Investments

<b>Company</b>	
<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost or valuation</b>	
At 23 October 2019	-
Additions	107,747
At 31 December 2020	<u>107,747</u>
<b>Carrying amount</b>	
At 31 December 2020	<u><u>107,747</u></u>

#### Details of undertakings

Details of the investments in which the company holds any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held 2020
<b>Subsidiary undertakings</b>			
Barchester (CB) Limited	United Kingdom	Ordinary	100%
Barchester (MW) Limited	United Kingdom	Ordinary	100%
Barchester Limited	United Kingdom	Ordinary	100%
Optimum Debtco Limited	United Kingdom	Ordinary	100%

## Barchester Finco 2019 Limited

### Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020

Cedars Health Care Limited	United Kingdom	Ordinary	100%
Crabwall Claremont Limited	United Kingdom	Ordinary	100%
Alphacare Holdings Limited	United Kingdom	Ordinary	100%
Optimum FS Care Developments Limited	United Kingdom	Ordinary	100%
Spennorth Healthcare Limited	United Kingdom	Ordinary	100%
Beacon Place Limited	United Kingdom	Ordinary	100%
Broadway Halls Care Services Limited	United Kingdom	Ordinary	100%
Elm Bank Healthcare Limited	United Kingdom	Ordinary	100%
Barchester (Botley) Limited	United Kingdom	Ordinary	100%
Optimum FS Care Services Limited	United Kingdom	Ordinary	100%
Optimum FS Homes Skipton Limited	United Kingdom	Ordinary	100%
Bamfield Lodge Limited	United Kingdom	Ordinary	100%
Hall Park Healthcare Limited	United Kingdom	Ordinary	100%
Cepen Lodge Limited	United Kingdom	Ordinary	100%
Brampton View Limited	United Kingdom	Ordinary	100%
Hampton Grove Healthcare Limited	United Kingdom	Ordinary	100%
Optimum Leaseco Limited	United Kingdom	Ordinary	100%
Boroughbridge Manor Limited	United Kingdom	Ordinary	100%
Cookridge Court Limited	United Kingdom	Ordinary	100%
Leeming Bar Limited	United Kingdom	Ordinary	100%
Scarborough Hall Limited	United Kingdom	Ordinary	100%
Lawton Group Holdings Limited	United Kingdom	Ordinary	100%
Lawton Group Limited	United Kingdom	Ordinary	100%
Tewkesbury Fields Holdings Limited	United Kingdom	Ordinary	100%
Tewkesbury Care Home Limited	United Kingdom	Ordinary	100%
Lawton Rise Holdings Limited	United Kingdom	Ordinary	100%
Lawton Rise Care Home Limited	United Kingdom	Ordinary	100%
Lawton Manor Holdings Limited	United Kingdom	Ordinary	100%
Lawton Manor Care Home Limited	United Kingdom	Ordinary	100%
Highfields Care Home Limited	United Kingdom	Ordinary	100%
Barchester (AM) Limited	United Kingdom	Ordinary	100%
Barchester Finco 2019 (Properties) Limited	United Kingdom	Ordinary	100%

## **Barchester Finco 2019 Limited**

### **Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020**

The principal activity of Alphacare Holdings Limited, Hampton Grove Healthcare Limited, Beacon Place Limited, Spen Court Healthcare Limited, Bamfield Lodge Limited, Barchester Limited, Boroughbridge Manor Limited, Brampton View Limited, Broadway Halls Care Services Limited, Cedars Health Care Limited, Cepen Lodge Limited, Cookridge Court Limited, Crabwall Claremont Limited, Elm Bank Healthcare Limited, Hall Park Healthcare Limited, Highfields Care Home Limited, Lawton Group Limited, Lawton Manor Care Home Limited, Lawton Rise Care Home Limited, Leeming Bar Limited, Scarborough Hall Limited and Tewkesbury Care Home Limited is the operation of care homes.

The principal activity of Barchester (CB) Limited, Barchester (MW) Limited, Lawton Group Holdings Limited, Lawton Manor Holdings Limited, Lawton Rise Holdings Limited, Optimum Debtco Limited, Optimum Leasco Limited, Optimum FS Care Developments Limited and Tewkesbury Fields Holdings Limited is that of an intermediate holding company.

The principal activity of Barchester (Botley) Limited is the development of a new care home. The principal activity of Barchester (AM) Limited is the holding of land for potential future development. Optimum FS Care Services Limited, Optimum FS Homes Skipton Limited and Barchester Finco 2019 (Properties) Limited are dormant.

The registered office of all companies is: The Aspect, Finsbury Square, London, EC2A 1AS.

For the year ending 31 December 2020 the following subsidiaries were entitled to exemption from audit under section 479A of the Companies Act relating to subsidiary companies:

Alphacare Holdings Limited; Hampton Grove Healthcare Limited; Beacon Place Limited; Spen Court Healthcare Limited; Bamfield Lodge Limited; Barchester Limited; Barchester (MW) Limited; Boroughbridge Manor Limited; Brampton View Limited; Broadway Halls Care Services Limited; Cedars Health Care Limited; Cepen Lodge Limited; Cookridge Court Limited; Crabwall Claremont Limited; Elm Bank Healthcare Limited; Hall Park Healthcare Limited; Highfields Care Home Limited; Lawton Group Holdings Limited; Lawton Group Limited; Lawton Manor Care Home Limited; Lawton Manor Holdings Limited; Lawton Rise Care Home Limited; Lawton Rise Holdings Limited; Leeming Bar Limited; Optimum Debtco Limited; Optimum FS Care Developments Limited; Optimum FS Care Services Limited; Barchester (Botley) Limited; Optimum FS Homes Skipton Limited; Optimum Leasco Limited; Scarborough Hall Limited; Tewkesbury Care Home Limited; Tewkesbury Fields Holdings Limited; Barchester (AM) Limited, Barchester (CB) Limited and Barchester Finco 2019 (Properties) Limited.



## Barchester Finco 2019 Limited

### Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020

#### 15 Business combinations

On 8 January 2020, Barchester Finco 2019 Limited acquired 100% of the issued share capital of Barchester (CB) Limited and Barchester (AM) Limited .

Barchester (CB) Limited and Barchester (AM) Limited contributed £59,034,000 revenue and a loss of £7,165,000 to the group's profit for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Book value 2020 £ 000	Revaluation adjustments 2020 £ 000	Fair value 2020 £ 000
<b>Assets and liabilities acquired</b>			
Tangible assets	110,999	52,049	163,048
Intangible assets	3,775	(3,775)	-
Current assets	13,879	-	13,879
Liabilities	<u>(63,376)</u>	<u>(13,992)</u>	<u>(77,368)</u>
Total identifiable assets	<u>65,277</u>	<u>34,282</u>	<u>99,559</u>
Goodwill	<u>-</u>	<u>-</u>	<u>8,188</u>
Total consideration	<u>65,277</u>	<u>34,282</u>	<u>107,747</u>
<b>Satisfied by:</b>			
Cash	<u>-</u>	<u>-</u>	<u>107,747</u>

#### Adjustments:

1. Increase in value of land and buildings to fair value.
2. Decrease in value of goodwill to fair value.
3. Deferred tax liability arising on fair value adjustment to land and buildings.

#### 16 Stocks

##### Group

	31 December 2020 £ 000
Consumables	<u>99</u>

## Barchester Finco 2019 Limited

### Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020

#### 17 Debtors

		Group 31 December 2020 £ 000	Company 31 December 2020 £ 000
	Note		
Trade debtors		4,762	-
Amounts owed by related parties		804	52,672
Other debtors		20	-
Prepayments		1,397	1
Income tax asset	11	277	-
		<u>7,260</u>	<u>52,673</u>
Total current trade and other debtors		<u>7,260</u>	<u>52,673</u>

#### Group and Company

Amounts due from related parties stated above are legally due on demand and are thus recoverable within one year. It is not expected that a demand for these amounts will be made within the next year.

#### 18 Creditors

		Group 31 December 2020 £ 000	Company 31 December 2020 £ 000
	Note		
<b>Due within one year</b>			
Trade creditors		1,257	-
Amounts due to related parties		81,827	94,323
Social security and other taxes		594	-
Outstanding defined contribution pension costs		111	-
Other payables		2,403	-
Accrued expenses and deferred income		6,235	-
		<u>92,427</u>	<u>94,323</u>
<b>Due after one year</b>			
Amounts due to related parties		<u>69,300</u>	<u>69,300</u>

#### Group and Company

Amounts due to related parties within one year are legally due on demand and are thus due within one year. It is not expected that a demand for these amounts will be made within the next year.

Amounts due to related parties after one year include £69,300,000 of loan notes issued to Barchester Holdco (Jersey) Limited. The loan notes are subject to interest payable at 5.0134% per annum and are due for repayment on 8 January 2024. The loan notes are listed on the Channel Islands Securities Exchange.

## **Barchester Finco 2019 Limited**

### **Notes to the Financial Statements for the Period from 23 October 2019 to 31 December 2020**

#### **19 Pension and other schemes**

##### **Defined contribution pension scheme**

Certain group companies operate defined contribution pension schemes. The assets of the schemes are held separately from those of the group in an independently administered fund. The pension charge for the period represents contributions payable by the group to the scheme and amounted to £533,000.

Contributions totalling £111,000 were payable to the scheme at the end of the period and are included in creditors.

#### **20 Share capital**

##### **Allotted, called-up and fully paid shares**

**31 December 2020**  
**No.                      £ 000**

Ordinary shares

                    1                                              -                    

##### **New shares allotted**

During the period 1 ordinary share with an aggregate nominal value of £1 was allotted for an aggregate consideration of £1.

#### **21 Obligations under leases and hire purchase contracts**

##### **Group**

##### **Operating leases**

The total of future minimum lease payments is as follows:

	<b>2020</b>
	<b>£ 000</b>
Not later than one year	5,008
Later than one year and not later than five years	20,744
Later than five years	<u>101,868</u>
	<u><u>127,620</u></u>

The amount of non-cancellable operating lease payments recognised as an expense during the period was £4,786,000 .

#### **22 Parent and ultimate parent undertaking**

The company's immediate parent is Barchester Holdco (Jersey) Limited, incorporated in Jersey.

The ultimate parent is Grove Limited, incorporated in Jersey.