Registered number: 07158142

CARE UK HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

COMPANY INFORMATION

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2021

Introduction

The directors are pleased to present their Strategic Report for the year ended 30 September 2021.

Care UK Holdings Limited is the ultimate controlling parent company of the group.

Care UK Holdings (“the Group”) ongoing strategy is to provide safe and stimulating environments in which residents are supported to lead fulfilling lives. We aim to achieve this by developing and operating both existing and new care homes. Modern and well-maintained facilities are important to good quality care and the Group will continue to update existing care homes and to build new homes through the most extensive programme in the sector with 129 care homes providing over 8,500 beds. Whether our customers are publicly or privately funded, the Group will not compromise on meeting individual needs. We have retained market-leading regulator ratings, with 88% of our homes rated Good or Outstanding. This remains in the highest level of compliance of similar large suppliers. We also continue to operate 18 Outstanding-rated homes, which is more than any other UK provider.

Chairman's Statement

Care UK has continued to make progress, further improving its market leading quality ratings whilst adding further new homes to its portfolio as well as an important new portfolio of 26 homes under management.

However, it was another year dominated by the continued impact of the Covid-19 pandemic. First and foremost, I would like to acknowledge the extraordinary dedication of colleagues who worked tirelessly to support their residents and families as well as each other through some immensely challenging periods. We are also incredibly grateful to our residents and their families who worked in partnership with us, showing great patience and support as we collectively navigated our way through the pandemic.

This year’s accounts reflect the full scale of challenge we faced with a decline in revenue and profitability. Despite this and thanks in part to important government assistance and further financial support from our shareholder, we have been able to maintain a sound capital structure. It also meant that we have been able to continue with our long-term plan to grow through excellence, by investing in care quality, maintenance of our current homes and in the development of new homes. We have strived throughout to adhere to the highest levels of infection control and through the creation of Covid-secure environments to support critically important family connections. We also introduced a number of staff reward and recognition initiatives.

Since the end of the second pandemic wave in February 2021, we have seen occupancy levels recover and while today the Omicron variant has added yet more challenges, we look forward with a strong sense of optimism. Our outlook is positive, with an expectation of a return to increased profitability within the next two years. We continue to maintain our commitment to investment in quality and growth and this is supported by the confidence shown in us by all of our stakeholders. I am particularly excited to welcome 26 new homes to the Care UK family and look forward to working closely with our new partners in that venture.

This pandemic has exacted a terrible toll on our society and none more so than those most vulnerable older people for whom we care. I am painfully aware of the impact of this pandemic on our residents, their loved ones and our staff and hope that this coming year will bring an end to the worst of its effects.

Business review

Overall Group

The table below summarises the key performance indicators for 2021 and 2020:

	2021	2020
Revenue (for continuing operations) £m	351.9	363.6
Adjusted EBITDA £m	16.9	25.9
Operating loss £m	(15.7)	(15.5)

The other key performance indicators of the group are disclosed further below.

Care Home Operations
The main drivers affecting results of continuing operations are:

- the number of beds and the occupancy rates;
- the level of fee increases achievable for local authority spot rates and self-funded residents;
- the level of operating expenses, particularly staff costs given the current labour shortages across the sector, the impact of the newly implemented National Living Wage;
- CQC quality ratings and in particular potential embargoes; and
- the new care home development programme.

The table below summarises the key performance indicators for 2021 and 2020:

	2021	2020
Average financial occupancy**	76.6%	83.3%
Privately funded residents % of annual bed based revenue	46.3%	49.7%
Number of beds	8,532	8,485
Average weekly fee £	1,115	991

* For the definition of Adjusted EBITDA see note 2.27.
** Financial occupancy is defined as the total number of paid for beds as a percentage of total beds.

During the financial year ending 30 September 2021, the Group continued its response to the Covid-19 pandemic. As reported extensively in the media, the care sector together with the NHS has been at the forefront of this and the impact on occupancy and ultimately business performance has been significant.

We invested in the health, safety and wellbeing of those living and working in our homes throughout the pandemic. This included ensuring an appropriate and continuous supply of PPE and putting additional resource behind colleague wellbeing via our employee support line, access to third party wellbeing tools and a partnership with Marie Curie to provide grief counselling. We also provided additional recognition and reward for those who worked through the pandemic and put in place new digital communications tools to help drive colleague engagement.

As a result, average physical occupancy has reduced to 76.6% (2020: 83.3%) during the year. Government funding and additional NHS and Local Authority short term contracts as a response to the Covid-19 pandemic have partially mitigated this impact, resulting in revenue including other income to remain broadly flat year on year (2020: increasing year on year by 6.2%), however revenue declined by 3% (2020: increase of 3%). Gross profit decreased to £7.3m (2020: £21.2m) and adjusted EBITDA decreased to £16.9m (2020: £25.9m) over the same period as a result of the reduced occupancy and additional costs relating to the pandemic.

Business Review (continued)

During the year, the number of homes the Group operates increased to 129 (2020: 127) and benefitted from a full year of trading in respect of the nine homes which opened in the prior year. This resulted in an increase in the number of beds at year end to 8,532 (2020: 8,485).

A review of the carrying value of the residential care homes has been conducted again as well as a review of our lease commitments for any onerous contracts. The impairment value this year was £2.5m (2020: £5.3m) while the onerous lease provision created in 2015 was increased to £20.7m (2020: £14.7m). The original provision was created due to the combination of the impact of the National Living Wage as well as Local Authority funding shortfalls restricting fee growth resulting in a disconnect between income and costs.

During the year the Group was able to access numerous grants as a result if the Covid-19 pandemic, details of these grants are included in note 5.

Business review - Property division
The Key Performance Indicators (KPIs) used by the group to measure performance are number of sites in construction, number of sites completed in the year & now rented and the number of land purchases in the year. There is also a healthy growth pipeline with land deposits paid on a further 7 sites. At the balance sheet date the KPIs were as follows:

	2021	2020
Sites in construction	4	4
Sites completed and now rented	8	6
Deposits paid on other sites with planning pending	7	7

As at 30 September 2021 the property division had completed freehold property with a net book value of £115.6m and associated debt of £65.9m, In addition there were sites in construction with a net book value of £29.5m and associated debt of £14.6m. During the period the group invested in assets to the value of £30.5m.

Non-recurring items
The Group separately identifies and discloses certain items, referred to as non-recurring items, by virtue of size, nature and occurrence. This is consistent with the way the financial performance is measured by management (see note 2.27 Non-GAAP financial measures) and assists in providing a meaningful analysis of operating results by excluding items that may not be indicative of the operating results of the business. Non-recurring items included in the year ended 30 September 2021 amounted to a charge of £6.0m in aggregate (2020: charge of £7.5m). The key elements of the charges for both years basis are set out in the following table, see note 13 for further details:

	2021	2020
	£m	£m
Property related costs	0.1	0.2
CMA upfront admission fee legal costs	-	0.7
CHC redress and associated costs	-	1.6
Onerous lease provision movement	5.9	5.0
	6.0	7.5

Business review (continued)

Net financing expense
Net financing expenses decreased by £7.7m during the year from £66.0m to £58.3m. The majority of the financing expense of £43.4m relates to interest and preference share dividends accrued on shareholder debt. The interest charge on the Group's term loan and revolving credit facilities amounted to £13.6m and was cash paid other than the Payment-in-kind (PIK) interest of £10.8m which resulted from the Group's renegotiation of its term loan during the year in response to the impact of the Covid-19 pandemic. Non-cash elements of the finance expense include the amortisation of loan arrangement fees.

Taxation
The taxation charge reduced from a credit of £1.7m during the year ended 30 September 2020 to a credit of £3.2m during the year ended 30 September 2021, as a result of the impact on Covid-19 on the results of the business.

Future developments
The Group continues its strategy to invest in enhancing existing care homes and developing new care homes aimed at the privately funded market. Further growth is expected in the coming years in the number of homes and beds with 16 homes in the construction pipeline.

Accelerating the Group’s focus on the privately funded market, the Group entered into a contract for the management of 26 premium care homes, commencing 1 December 2021.

Net debt and Cash flow
The Group manages its capital through focusing on its net debt which includes cash, and financial liabilities including a Term Loan and a Revolving Credit Facility (RCF). The Group does not include instruments issued to investors or group companies within its definition of net debt and hence they are excluded from the net debt table below:

	2021	2020
	£m	£m
Cash	68.2	73.1
Term loan	(209.4)	(201.5)
Revolving credit facility	-	(20.0)
Debt linked to development operations	(80.5)	(47.7)
Arrangement fees	2.6	7.6
	(219.1)	(188.5)

Net debt increased by £30.6m during the year, due to increased development related borrowing and PIK'd interest added to the term loan.

On 20 September 2020, in response to the impact of the Covid-19 pandemic, the Group refinanced the funding arrangements under the Facility B Term Loan, to obtain support in the form of a financial covenant waiver through to the quarter end September 2021. The refinancing also triggered a fair value adjustment which has been disclosed in the financial statements. In addition, this allowed for a liquidity injection of up to £15m from the bank in the form of Payment-in-Kind (PIK) interest on the term loan. As at the year end, £12.4m of PIK interest has been rolled into the loan.

Operating cashflows decreased from £27.0m to £22.6m, principally driven by the impact of Covid-19 on the business.

Principal risks and uncertainties

The board of directors have the overall responsibility for Care UK's approach to assessing risk and the senior management teams are responsible for managing risk and maintaining appropriate control environments.

The principal risks faced by Care UK are set out below:

Covid-19
During the financial year ending 30 September 2021, the world continued fighting the Covid-19 pandemic.

As reported extensively in the media, the care sector together with the NHS has been at the forefront of this, and the impact has been significant.

The Board and Management have taken steps to steer their way through this crisis, however the impact on the group has been considerable. There has been a reduction in occupancy rates and an increase in operating costs including the purchase of Personal Protective Equipment (PPE), introducing additional infection control measures, implementing testing and vaccination programmes, and facilitating visitation of relatives.

Key metrics continue to be monitored closely by the Board and Management, such as: home level outbreaks, test results and vaccination coverage; occupancy, staffing levels and Covid-19 related sickness; supply of PPE and mobilisation of infection control measures. Management have worked alongside key suppliers, in particular of PPE, visitation and infection control equipment, agency workers, food and medicines, in order to mitigate any shortage in supply. They have also been working with local authorities, CCGs, NHS, relatives, and residents to provide reassurance and the best possible care for our residents, despite these difficult circumstances.

Government support to the sector, and therefore the Group, has been important throughout this pandemic. Covid-19 support funding streams have been provided direct by local authorities, as well as nationally led funding in the form of the Coronavirus Job Retention Scheme ('Furlough'), the Infection Control Fund (ICF), Adult Social Care Rapid Test Funding and the Workforce Capacity Funding. Claims have been made against these funds, as detailed in note 5 to the accounts.

The impact of the virus has had a significant impact on the Group's profitability and cashflow.

As we continue through the pandemic we've been able to more accurately assess the risks surrounding it, however due to the inherent unpredictable nature of the crisis the Directors cannot readily determine the full medium to long term impact of the crisis upon the Group, including:

- i the extent of NHS / Local Authority and privately funded demand for vacant beds, and the associated speed of admissions recovery;
- ii the degree of continued financial support from the Government, as the care sector emerges from Covid-19 operating restrictions;
- iii the impact of ongoing Covid-19 related precautionary measures and restrictions, on rates of admission and the operations (and associated costs) of the business in the medium to long term; and
- iv. the impact of new Covid-19 virus variants and mutations on the efficacy of the current vaccines, and associated speed of scientific response to develop new versions and mobilisation of vaccination programmes to control the rate of spread.

Principal risks and uncertainties (continued)

Despite the continued effect of the pandemic on the business, initial indicators of recovery have been noted including:

- There has been a consistent positive trend in non-contract occupancy since February 2021, with occupancy expected to continue to recover.
- The rollout of the vaccine has had a strong uptake, and from 11 November 2021 it became a legal requirement for all staff who work inside our homes to be fully vaccinated. However, this legal requirement was removed from 15 March 2022.
- The Covid vaccination booster roll out is in full flow along with the flu jab, and we now have the majority of residents having received a booster vaccination, with further uptake expected going forward.
- The availability and accessibility of Covid-19 testing has increased notably over the last year.

In order to support the Group during the pandemic, the Group obtained support in the form of a bank financial covenant waiver for its leverage covenant until September 2021, and a liquidity injection of up to £15m from the bank in the form of Payment-in-Kind (PIK) interest on the term loan. The covenant was assessed at September 2021 and was not found to exceed the covenant basis for that period.

The Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Competition and Markets Authority ("CMA")
In February 2019 the CMA issued a claim against the Group under the Enterprise Act 2002. The claim relates to past conduct when the Group used to charge a one-off upfront admission fee. The Group stopped charging this fee in August 2018. Care UK has taken advice from specialist legal counsel and in May 2021 a high court trial delivered a judgement in favour of Care UK.

Market risks
The Group relies on providing services to publicly funded entities in the United Kingdom such as Local Authorities and the NHS, typically through Clinical Commissioning Groups, for a proportion of its revenue and any material reduction in the revenue earned from such services could adversely impact the Group's business, results of operations and financial condition.

These risks are mitigated by a diversified contract income stream, sector leading quality and strong relationship management.

The Group's strategy is partly based on growth derived from increased levels of consumer demand for certain of its services or the increased influence of consumers in the choice of the provider of care to them and, as a result, its future growth is dependent on maintaining the quality of its services, consumer perception of that quality and on its ability to market these services effectively.

This risk is mitigated by sector leading quality, investment in marketing and close attention to consumer needs and expectations.

Inflation risks
Future changes in the rate of the National Living Wage ("NLW") will have a significant impact on labour costs for the social care sector and level of recovery through fee increases is uncertain. Failure to recover such costs would have a negative impact on margin. Other drivers in inflation risk continue to be monitored by the Group.

This risk is mitigated by careful cost control.

Regulatory risks
The Group operates in a highly regulated business environment and failure to comply with regulations could lead to substantial penalties, including embargo of new resident admissions through to the loss of the registration certificates necessary to continue to trade.

Principal risks and uncertainties (continued)

The Group operates stringent quality policies and procedures, together with rigorous internal governance audit and oversight to ensure the safety of our residents.

Liquidity risk
The Group has access to a Revolving Credit Facility (RCF) for managing working capital requirements. In addition to this, the Group is funded by a Facility term loan (Facility B Term loan). Covenants apply to these funding arrangements which limit operating and financial flexibility if the Group defaults under these covenants.

The financing and debt arrangements are subject to an element of variable interest rates and any increases in interest rates in the future could significantly increase costs and reduce cash flow.

There is also a risk, due to macroeconomic factors, that long-term financing, including for the development of new facilities or modifications of existing facilities, may not be available on acceptable terms in the future.

Strong working relationships are maintained with our banking partners, to facility the regular provision of compliance reporting, and oversight of key issues impacting the business. In addition, prudent liquidity management policies are applied that include the preparation of regular detailed cash flow forecasts to monitor liquidity and compliance with the covenants.

Credit risk
A large proportion of the Group's revenue is derived from privately funded customers, and as a result there is potential exposure to credit risk.

The risk of an extended recessionary period and weak macro-economic conditions generally may have an adverse effect on personal disposable income and/or the values of assets available to pay for care fees.

The risk is not considered material, and adequate provisions are made in the financial statements.

Directors' statement of compliance with duty to promote the success of the Group

Corporate governance
The Board consider the annual report and financial statements to comply with the Wates Principles of corporate governance, as outlined below:

Our vision and values
Care UK want to provide safe and stimulating environments in which residents are supported to lead Fulfilling Lives. Care UK will do this by being the best operator, delivering the best care and quality and investing in its people and environments.

- Fulfilling Lives is the core purpose
- “Every one of us makes a difference” is the belief that drives Care UK
- Caring, Passionate and Teamwork are the values that underpin everything Care UK does

Fulfilling lives has given Care UK a framework to focus on our key strategic priorities for care quality, and increasingly it has become an approach that informs every aspect of the business. Care UK’s Board has developed a strategy and business model to generate long-term sustainable value.

Care UK can only deliver Fulfilling lives if everyone commits to living the values in everything Care UK does. The Board, shareholders and management are committed to these values and have ensured they are embedded into the functions and operations of the business, including care quality governance, employment practices, risk management and compliance frameworks. This is monitored through resident and relatives feedback surveys and studies, Care UK’s Colleague Voices employee engagement programme and working closely with regulators.

Board composition, responsibilities, and obligations
Care UK’s Board comprises six Individuals, four of whom are non-executive and two executives, the CEO and CFO. Two of the non-executives represent the majority shareholder. The Chairperson is also an independent non-executive.

Board members possess the required combination of skills, backgrounds, experience and knowledge for their roles to: provide constructive challenge and criticism; enable effective decision-making; and to promote responsibility, integrity and accountability through its corporate governance practices.

Full Board meetings are held monthly and the following sub-committees are in place:
- The Audit Committee,
- The Remuneration Committee

These committees are chaired by Non-Executives and meet as required. The Board retains responsibility for all final decisions.

The terms of each committee are set out in the Delegation of Authorities Matrix, including authorities delegated to it.

The Board act in the way they consider, in good faith, are most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to:

a) The likely consequences of any decision in the long term;
b) The interests of the company's employees;
c) The need to foster the company's business relationships with suppliers, customers and others;
d) The impact of the company's operations on the community and the environment;
e) The desirability of the company maintaining a reputation for high standards of business conduct; and
f) The need to act fairly as between members of the company

The Board continuously review governance processes to ensure that they remain fit for purpose.

Opportunity and risk
Creating and preserving value over the long-term is of paramount importance to the Board, who regularly assess the sources of value, both tangible and intangible, and the stakeholders that contribute to it. All new business opportunities to create value, and threats that may adversely impact value, are reviewed, considered, mitigated and approved, as appropriate, at board level.

The Board has responsibility for the organisation's overall approach to strategic decision-making and effective risk management, with oversight of risk and how they are managed, and appropriate accountability to stakeholders. The Board has established an internal control framework and systems that are in place to manage and mitigate both emerging and principal risks.

Remuneration
The Board has established executive remuneration structures that are aligned with performance, behaviours, and the achievement of company purpose, values and the delivery of long-term sustainable success. This takes account of the broader operating context, including the pay and conditions of the wider workforce and the company's response to matters such as any gender pay gap.

Remuneration decisions have been delegated to the Remuneration Committee, which is chaired by a Non-Executive Director. It is responsible for designing remuneration policies and structures for Directors, senior management, and the wider organisation.

Stakeholder relationships and engagement
The Board fosters effective stakeholder relationships aligned to the Group's purpose. The Board oversees meaningful engagement with stakeholders and has regard to their views when taking decisions. Stakeholders include the workforce, customers and suppliers, regulators, creditors, and community groups.

During the year ended 30 September 2021 the key decisions made by the board of directors which were determined to have a long-term impact on the business were:

- The board made the decision to enter into a contract for the management of 26 premium care homes, commencing 1 December 2021.
- During the year the board decided to close a care home, with another to be closed in FY22, as they were no longer fit for purpose. Further, the board decided to divest of the Group’s interest in Ellerash Limited, a subsidiary legal entity that operated one care home.

In this context, acting in good faith and fairly, the directors consider what is most likely to promote the success of the group for its members in the long term, balancing the social, economic and environmental choices we make. We actively promote safe ethical and sustainable working practices, and the Group’s adherence to these principles will continue to be the bedrock for long-term success.

This report was approved by the board on 6 May 2022 and signed on its behalf.

M A Rosenberg
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2021

The directors present their report and the financial statements for the year ended 30 September 2021.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and 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 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 the groups 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 for the Group's financial statements and then apply them consistently;
- make judgments 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;
- assess the group and parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and the Group and to 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

Principal activity

The Care UK Holdings Limited Group's ("the Group") principal activity during the year was the development and operation of nursing and residential care homes for the elderly.

Care UK Holdings Limited is a holding company.

Results and dividends

The loss for the year, after taxation, amounted to £70.0m (2020 - profit of £80.4m). Adjusted operating loss amounted to £2.5m (2020 - profit of £5.6m)

Dividends of £nil (2020: £nil) were paid in the year.

Internal dividends of £nil (2020: £70.2m) were received in the year by the parent company.

The review of the business is included in the Strategic Report.

Post Balance Sheet Events

The Group has entered into a contract for the management of 26 premium care homes, commencing 1 December 2021.

Directors

The directors who served during the year and up to the date of signing were:

A R Knight
M A Rosenberg
M R Parish
P J Whitecross
R P Moores
J R Wyatt

Political contributions

The group has made no political donations or incurred any political expenditure during the year (2020: £nil).

Future developments

Future developments is referred to in the Strategic Report.

Section 172(1) statement

The Board of Directors consider the interests of key stakeholders when performing their duties to promote the long-term success of the group. Outlined below the directors explain how they:

- engage with employees, suppliers, customers and others; and
- have had regard to the employee interests, the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regards, including the principal decisions taken by the company during the financial year.

Engagement with regulators
In addition to Care UK's internal governance framework, Care UK services operate within a robust, externally validated governance structure which provides a strong focus on clinical safety, transparency, learning and improvement as well as rigorous financial oversight. Care UK's external governance includes the following components:

- The Care Act 2014 - The 2014 Care Act provides an overarching piece of legislation addressing the way in which care is provided by local authorities and has significant implications for providers. The Act, the first part of which was implemented in April 2015, establishes a principle of wellbeing in law, sets requirements for assessment, eligibility, planning and safeguarding process, creates a market oversight process to manage provider failure, sets out future funding reforms and established a Duty of Candour with which providers must comply.
Implementation of the second part of the Act, principally addressing funding reforms, has been delayed from the planned April 2016 date.

- Market oversight - The Care Quality Commission (CQC) is required by the Care Act to operate a statutory market oversight scheme in the social care sector, to assess the financial sustainability of those care organisations, including Care UK, that local authorities would find difficult to replace should they become unable to deliver services.
Care UK is included within the scheme because it meets eligibility criteria based on size, number of services and number of employees and as such provides CQC with appropriate financial and operational information.

- Quality inspections in England, Scotland and Wales - Social care services are regulated in England by the Care Quality Commission (CQC), in Scotland by the Care Inspectorate and in Wales by the Care and Social Services Inspectorate Wales. The majority of Care UK's service are inspected by CQC.
In England, CQC has fully introduced new inspection models for health and social care services, asking five key questions of every provider or service: is it safe, is it effective, is it caring, is it responsive and is it well-led. Each question, as well as providing an overall rating for the home, is rated as one of inadequate, requires improvement, good or outstanding. There is little scope to appeal the judgement rating inherent in this system. The ratings are publicised by the CQC on their website in relation to each home that they regulate.
Care UK agrees with the principles underpinning the approach and believes that an effective inspection regime is an appropriate tool to drive and secure high quality, safe services.
CQC can impose conditions on services which fail to meet appropriate standards of care, including placing individual services in special measures, placing embargoes on admissions to particular services, requiring and monitoring action and improvement plans and, in extreme cases, suspending or revoking registration (which means in effect closing the home as it is a criminal offence to provide regulated services without registration).
CQC also have prosecution powers and are increasingly investigating care providers where they seem to have failed to provide safe care to residents.
In Scotland, similar functions are carried out by the Care Inspectorate. In Wales, responsibility is held by the Care and Social Services Inspectorate Wales.

Care UK fosters strong working relationships with its regulators to drive the best quality of care, in line with our strategic values.

Engagement with suppliers and customers
It is recognised that it is essential for the continued success and reputation of the Group to maintain positive relationships with our customers, suppliers and our financing partners.

The Group regularly reviews how it engages with these stakeholders. This is achieved through the transfer of information provided by senior management and by direct engagement with the stakeholders themselves.

We are committed to providing consistent, high-quality service to our customers and regularly engage with our residents and relatives to ask for their feedback. We use this feedback to develop robust action plans to ensure we have a programme of continuous improvement. We encourage openness and the honest reporting of any issues and, in the event of any performance or service shortcomings, we ensure a full and open review is carried out and shared widely.

Care UK does not follow a specific code or statement on payment practice for suppliers. However, it is the company's policy to pay its suppliers in accordance with the payment terms agreed at the outset of the relationship providing the supplier adheres to its obligations.

Strong working relationships are maintained with our financing partners, to facilitate the regular provision of compliance reporting, and oversight of key issues impacting the business.

Engagement with employees (Colleagues)
At Care UK, we believe we thrive because our people love what they do and because they connect with our core value – to fulfil lives.

We want our people to flourish and be positive advocates of our organisation. We are committed to providing an engaging and inclusive environment for everyone who works with us regardless of their background, beliefs or personal context. We promote policies that ensure equal opportunities for all colleagues regardless of factors such as gender, marital status, race, age, sexual preference and orientation or ethnic origin.

The following table shows our current gender diversity relating to our continuing operations:

	2021		**2020**	
	Male %	Female %	Male %	Female %
Board of directors	100	-	100	-
Senior managers*	43	57	60	40
Other employees	18	82	17	83

* Senior managers are comprised of the members of the executive committee (unless already included within the board of directors) and members of the executive teams.

Our people policies reflect the changing needs of society, offering a range of family friendly opportunities and flexible ways of working to ensure those who choose to work with us can balance their commitments both in and out of work.

We regularly review and assess our policies with equality in mind and we are committed to making reasonable adjustments to both our policies and our processes where individual or Group need arises.

It is Group policy to give fair consideration to the employment needs of disabled people to comply with current legislation with regard to disabled persons and, wherever practicable, to continue 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 aptitude and abilities.

We communicate with our people through a range of channels including face to face meetings and forums, newsletters and most importantly our intranet, which is available to colleagues both in the workplace and via their personal mobile devices.

Our annual ‘Over to you!’ survey helps us to understand what’s important to our people and develop business strategies that reflect what our people tell us. Action planning takes place at local and corporate level.

We provide all colleagues with a free employee assistance programme to help them deal with personal and domestic issues via telephone or face to face counselling. Support can range from simple advice and guidance right through to cognitive behavioural therapy. Online resources offer health quizzes and lifestyle advice.

Occupational Health Services help us keep our people well at work both physically and mentally. Occupational Health also helps us ensure that any health-related risks at work are managed and our people kept safe from any potential work related sickness.

We ensure that throughout our business, we support our managers to deliver benchmark employment practices through the provision of a 24/7 employment advice helpline. The helpline provides prompt and timely advice to help managers deal with people issues effectively, fairly and consistently.

Engagement with Local communities
We understand that as a Group we impact directly on the communities in which we operate and therefore we ensure all of our decision-making is supported by analysis of impacts both internal to our organisation and external. We are constantly striving to find better ways to deliver our services.

Key social and community issues for us include considering how we can have a positive impact on our local social and business community. The ways in which we can achieve this include the following:

- Colleague participation in local community help schemes
- Colleague participation in national charity fundraising events
- 'Matched Funding - Working with The Community' scheme, whereby every year, hundreds of colleagues take part in fundraising for their favourite charities. stakeholders when performing their duties to promote the long-term success of the group. Outlined below the directors explain how they:

- engage with employees, suppliers, customers and others; and
- have had regard to the employee interests, the need to foster the company’s business relationships with

Greenhouse gas emissions, energy consumption and energy efficiency action

Energy Efficiency actions taken this year
As described in the Strategic Report, from autumn 2020 the Group had to focus all employee activity to protecting residents and colleagues from Covid-19. This meant that less effort was put into increasing our energy efficiency through colleague employee than we planned, but we continued to improve our energy efficiency through our facilities maintenance policy and New Build design specification.

Colleague engagement is achieved through our Eco-Ambassadors Campaign. This comprises colleagues who volunteer to act as the ‘environmental conscience’ of their home by demonstrating and encouraging energy and water saving best practice amongst their colleagues. Due to Covid-19 less effort was put into this area than normal but we used this opportunity to prepare a new intra-net site and training materials to re-launch this initiative once the pandemic is over.

The facilities maintenance policy stipulates that when an energy consuming asset needs replacing we install the most energy efficient solution within the constraints of the relevant statutory specification. So, for example, we continued to replace fluorescent lamps with LED lamps. The policy also ensures that we are continually optimising the performance of our energy saving assets – such as the combined heating and power units.

The New Build design specification contributes to our efforts to reduce emissions by including the requirement to fit energy efficient assets such as solar PV or combined heat and power units, install electric vehicle charging points where practical and operate travel plans to minimise our employee business travel emissions.

Streamlined Energy and Carbon Reporting (SECR) Methodology
Energy Consumption and Emissions: Our consumption was collected using the energy bills from our suppliers except for electricity in one home where we pay for the electricity via the service charge. The emissions were calculated from the kWh using the 2021 conversion factors published on the government’s SECR website.

Transport and Business Travel Emissions: We do not directly purchase any fuel for transport. The business travel mileage was collected from the employee expenses claim system. The related emissions were calculated from the miles using the conversion factors published on the government’s SECR website.

Summary of greenhouse annualised gas emissions and energy consumption for the financial year:

Metric	**Unit**	**FY21**	**FY20**
Energy consumption used to calculate emissions:	Kwh	99,745,834	94,954,961
Emissions from combustion of gas	tCO2e	12,673	11,990
Emissions from combustion of fuel for transport purposes	tCO2e	-	-
Emissions from business travel	tCO2e	306	129
Emissions from purchased electricity	tCO2e	6,523	6,978
Total gross emissions	tCO2e	19,502	19,097
Intensity ratio:	Care Home kgCO2e perr Bed	2,320.0	2,282.9

Intensity Factor
In selecting the intensity factor that would give the best indication of our energy efficiency overall it was noted that i) 99.3% of our emissions are from gas and electricity (only 0.3% from travel), and ii) 99.4% of our gas and electricity is used by the care homes. Therefore we decided that the most representative intensity factor for the business as a whole would be one that normalised the emissions from the care homes. We also decided that the simplest measure of their output is the number of beds in the home. Therefore the intensity metric we chose for the group is “Care Home emissions per bed”.

Human rights

We respect human rights. We have a zero-tolerance approach to modern slavery and we are committed to acting ethically and with integrity in all our business dealings and relationships. We are also committed to ensuring there is transparency in our own business and in our approach to tackling modern slavery throughout our supply chains.

Anti-corruption and bribery

It is our policy to conduct all of our business in an honest and ethical way. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate. The requirement to comply with Care UK's internal policies forms part of an individual's terms of employment and there are processes available to deal with instances of non-compliance. Care UK believes these policies operate effectively and also recognises the importance of robust processes to mitigate against both the likelihood and the impact of risks crystallising.

Director's indemnity provisions

The directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditors

The auditors, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 6 May 2022 and signed on its behalf.

M A Rosenberg
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARE UK HOLDINGS LIMITED

Opinion

We have audited the financial statements of Care UK Holdings Limited (“the Company”) for the year ended 30 September 2021 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company 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 30 September 2021 and of the Group’s loss for the year then ended;

- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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.

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 as to the Group's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- 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 and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue from care homes is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts, including accounts linked to the revenue fraud risk, and material period-end adjustments.
- Obtaining a sample of invoices and related documentation around the year end cut-off period to assess whether revenue has been recorded in the appropriate period.

Identifying and responding to risks of material misstatement related to 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 through discussion with the directors and other management (as required by auditing standards) 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 Group 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 Group 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 or license to operate. We identified the following areas as those most likely to have such an effect: Care Act 2014, Care Quality Commission (CQC) regulation, health and safety, fire safety, GDPR compliance, anti-bribery, anti-money laundering, employment and social security, consumer rights act, environmental protection and climate change and certain aspects of company legislation recognising the nature of the Group'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.

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.

Director's 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.

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.

Emma Larcombe

Emma Larcombe (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Botanic House
100 Hills Road
Cambridge
CB2 1AR

9 May 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	Continuing operations 2021 £M	Discontin'd operations 2021 £M	Total 2021 £M	*Continuing operations 2020 £M*	*Discontin'd operations 2020 £M*	*Total 2020 £M*
Turnover	4	**351.9**	-	**351.9**	*363.6*	*26.9*	*390.5*
Cost of sales		**(344.6)**	-	**(344.6)**	*(345.9)*	*(23.4)*	*(369.3)*
Gross profit		**7.3**	-	**7.3**	*17.7*	*3.5*	*21.2*
Administrative expenses		**(37.4)**	-	**(37.4)**	*(37.8)*	*(1.9)*	*(39.7)*
Non recurring costs		**(6.0)**	-	**(6.0)**	*(7.5)*	-	*(7.5)*
Other income	5	**20.4**	-	**20.4**	*10.5*	-	*10.5*
Operating loss		**(15.7)**	-	**(15.7)**	*(17.1)*	*1.6*	*(15.5)*
Adjusted EBITDA (earnings before, interest, taxation, depreciation, amortisation and non-recurring items)		**16.9**	-	**16.9**	*24.3*	*1.6*	*25.9*
Depreciation of tangible assets		**(19.4)**	-	**(19.4)**	*(20.3)*	-	*(20.3)*
Adjusted operating profit		**(2.5)**	-	**(2.5)**	*4.0*	*1.6*	*5.6*
Amortisation		**(4.7)**	-	**(4.7)**	*(6.7)*	-	*(6.7)*
Loss on disposal of tangible fixed assets		-	-	-	*(0.1)*	-	*(0.1)*
Impairment of tangible fixed assets		**(2.5)**	-	**(2.5)**	*(5.3)*	-	*(5.3)*
Non-recurring items		**(6.0)**	-	**(6.0)**	*(7.5)*	-	*(7.5)*
Straightline rent accounting		-	-	-	*(1.5)*	-	*(1.5)*
Operating loss		**(15.7)**	-	**(15.7)**	*(17.1)*	*1.6*	*(15.5)*
Profit on sale of investments		**0.8**	-	**0.8**	-	*160.2*	*160.2*
Interest receivable and similar income	9	-	-	-	*0.1*	-	*0.1*
Interest payable and similar expenses	10	**(58.3)**	-	**(58.3)**	*(66.1)*	-	*(66.1)*
(Loss)/profit before tax		**(73.2)**	-	**(73.2)**	*(83.1)*	*161.8*	*78.7*
Tax on (loss)/profit	11	**3.2**	-	**3.2**	*2.0*	*(0.3)*	*1.7*
(Loss)/profit for the financial year		**(70.0)**	-	**(70.0)**	*(81.1)*	*161.5*	*80.4*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

Other comprehensive income for the year						
Actuarial losses on defined benefit pension scheme			**3.6**			*(1.0)*
Movement of deferred tax relating to pension surplus			**(0.7)**			*0.2*
Other comprehensive income for the year			**2.9**			*(0.8)*
Total comprehensive income for the year			**(67.1)**			*79.6*
Profit for the year attributable to:						
Owners of the parent company	**(70.0)**	**-**	**(70.0)**	*(81.1)*	*161.5*	*80.4*
	(70.0)	**-**	**(70.0)**	*(81.1)*	*161.5*	*80.4*

The notes on pages 34 to 86 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2021

	Note		2021 £M		2020 £M
Fixed assets					
Intangible assets	13		**32.5**		*37.2*
Tangible assets	14		**319.3**		*298.3*
			351.8		*335.5*
Current assets					
Stocks	16	**0.7**		*0.5*	
Debtors	17	**61.6**		*60.8*	
Bank and cash balances		**68.2**		*73.1*	
		130.5		*134.4*	
Creditors: amounts falling due within one year	19	**(294.1)**		*(88.3)*	
Net current (liabilities)/assets			**(163.6)**		*46.1*
Total assets less current liabilities			**188.2**		*381.6*
Creditors: amounts falling due after more than one year	20		**(786.7)**		*(913.3)*
Provisions for liabilities					
Other provisions	24	**(32.5)**		*(28.1)*	
			(32.5)		*(28.1)*
Net assets excluding pension liability			**(631.0)**		*(559.8)*
Pension liability			**(0.5)**		*(4.6)*
Net liabilities			**(631.5)**		*(564.4)*
Capital and reserves					
Share premium account	26		**4.7**		*4.7*
Other reserves	26		**78.8**		*78.8*
Profit and loss account	26		**(715.0)**		*(647.9)*
Equity attributable to owners of the parent Company			**(631.5)**		*(564.4)*
			(631.5)		*(564.4)*

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 SEPTEMBER 2021

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 May 2022.

M A Rosenberg
Director

The notes on pages 34 to 86 form part of these financial statements.

CARE UK HOLDINGS LIMITED
REGISTERED NUMBER: 07158142

COMPANY BALANCE SHEET
AS AT 30 SEPTEMBER 2021

	Note		2021 £M		2020 £M
Fixed assets					
Investments	15		**185.2**		*185.2*
			185.2		*185.2*
Current assets					
Debtors	17	**1.2**		*1.2*	
		1.2		*1.2*	
Creditors: amounts falling due within one year	19	**(2.2)**		*(2.2)*	
Net current liabilities			**(1.0)**		*(1.0)*
Total assets less current liabilities			**184.2**		*184.2*
Creditors: amounts falling due after more than one year	20		**(407.3)**		*(387.1)*
Net assets excluding pension liability			**(223.1)**		*(202.9)*
Net liabilities			**(223.1)**		*(202.9)*
Capital and reserves					
Share premium account	26		**4.7**		*4.7*
Profit and loss account brought forward		**(207.7)**		*(257.3)*	
Loss/(profit) for the year		**(20.1)**		*49.7*	
Profit and loss account carried forward			**(227.8)**		*(207.6)*
			(223.1)		*(202.9)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 May 2022.

M A Rosenberg
Director

The notes on pages 34 to 86 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£M	£M	£M	£M
At 1 October 2020	4.7	78.8	(647.9)	(564.4)
Comprehensive income for the year				
Loss for the year	-	-	(70.0)	(70.0)
Actuarial gains on pension scheme	-	-	2.9	2.9
Total comprehensive income for the year	-	-	(67.1)	(67.1)
At 30 September 2021	4.7	78.8	(715.0)	(631.5)

The notes on pages 34 to 86 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£M	£M	£M	£M
At 1 October 2019	4.7	78.8	(727.5)	(644.0)
Comprehensive income for the year				
Profit for the year	-	-	80.4	80.4
Actuarial losses on pension scheme	-	-	(0.8)	(0.8)
Total comprehensive income for the year	-	-	79.6	79.6
At 30 September 2020	4.7	78.8	(647.9)	(564.4)

The notes on pages 34 to 86 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Share premium account	Profit and loss account	Total equity
	£M	£M	£M
At 1 October 2020	4.7	(207.7)	(203.0)
Comprehensive income for the year			
Loss for the year	-	(20.1)	(20.1)
At 30 September 2021	4.7	(227.8)	(223.1)

The notes on pages 34 to 86 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Share premium account	Profit and loss account	Total equity
	£M	£M	£M
At 1 October 2019	4.7	(257.3)	(252.6)
Comprehensive income for the year			
Profit for the year	-	49.7	49.7
At 30 September 2020	4.7	(207.6)	(202.9)

The notes on pages 34 to 86 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 **£M**	*2020* *£M*
Cash flows from operating activities		
(Loss)/profit for the financial year	**(70.0)**	*80.4*
Adjustments for:		
Amortisation of intangible assets	**4.7**	*6.7*
Depreciation of tangible assets	**19.4**	*20.3*
Impairments of fixed assets	**2.5**	*5.3*
Loss on disposal of tangible assets	**-**	*(2.3)*
Interest payable	**58.3**	*63.7*
Interest received	**-**	*(0.9)*
Taxation charge	**(3.2)**	*(1.7)*
(Increase)/decrease in stocks	**(0.2)**	*-*
Decrease/(increase) in debtors	**2.1**	*(4.0)*
Increase in creditors	**5.4**	*11.5*
Increase in provisions	**5.9**	*4.9*
(Decrease) in net pension assets/liabs	**(0.6)**	*(0.6)*
Net fair value (gains)/losses recognised in P&L	**(0.8)**	*2.9*
Corporation tax (paid)/received	**(0.1)**	*1.1*
Profit on sale of investments	**(0.8)**	*(160.2)*
Net cash generated from operating activities	**22.6**	*27.1*
Cash flows from investing activities		
Purchase of tangible fixed assets	**(46.9)**	*(40.4)*
Sale of tangible fixed assets	**-**	*10.8*
Interest received	**-**	*0.1*
Cash arising on business combination	**-**	*(7.9)*
Sale of subsidiaries	**1.1**	*212.2*
Net cash from investing activities	**(45.8)**	*174.8*

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 £M	*2020 £M*
Cash flows from financing activities		
New secured loans	**43.6**	*39.9*
Repayment of loans	**(20.0)**	*(207.7)*
Interest paid	**(5.3)**	*(17.0)*
Net cash used in financing activities	**18.3**	*(184.8)*
Net (decrease)/increase in cash and cash equivalents	**(4.9)**	*17.1*
Cash and cash equivalents at beginning of year	**73.1**	*56.1*
Cash and cash equivalents at the end of year	**68.2**	*73.2*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**68.2**	*73.1*
	68.2	*73.1*

The notes on pages 34 to 86 form part of these financial statements.

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	At 1 October 2020 £M	Cash flows £M	At 30 September 2021 £M
Cash at bank and in hand	73.1	(4.9)	68.2
Debt due after 1 year	(258.8)	52.0	(206.8)
Debt due within 1 year	(2.8)	(77.7)	(80.5)
	(188.5)	(30.6)	(219.1)

The notes on pages 34 to 86 form part of these financial statements.

1. General information

Care UK Holdings Limited ("the Company") is a private company, limited by shares and is incorporated and domiciled in England and Wales.

The Consolidated Financial Statements of the Company for the year ended 30 September 2021 comprise the company and its subsidiaries (together referred to as the "Group"). See note 37 for a full list of subsidiaries.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

Parent Company disclosure exemptions

In preparing the separate financial statements of the parent *Company*, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No Statement of Cash Flows has been presented for the parent *Company*;
- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent *Company* as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The parent has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Care UK Holdings Limited as at 30 September 2020 and these financial statements may be obtained from Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB.

2. Accounting policies (continued)

2.3 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies 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. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 October 2018.

2. Accounting policies (continued)

2.4 Going concern

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report on page 2.

Notwithstanding the Care UK Holdings Ltd Group's loss before taxation for the year ended 30 September 2021 of £73.2m, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons:

Care UK Holdings Limited and its subsidiaries form the Care UK Holdings Limited Group. At 30 September 2021 the Care UK Holdings Group was financed by £68.2m of cash, £206.8m of term loan, £80.5m of Property development facility financing, £57.0m of loan notes with related parties and the Group had outstanding preference share liabilities of £248.8m, with additional accrued interest on the loan notes and preference shares of £370.5m.

At 31 December 2021 the Care UK Holdings Group was financed by £72.6m of cash, £207.0m of term loan, £81.1m of Property development facility financing, £57.0m of loan notes with related parties and the Group had outstanding preference share liabilities of £248.8m, with additional accrued interest on the loan notes and preference shares of £381.6m.

Covid-19
During the financial year ending 30 September 2021, the world continued fighting the Covid-19 pandemic. As reported extensively in the media, the care sector together with the NHS has been at the forefront of this, and the impact has been significant.

The Board and Management have taken steps to steer their way through this crisis, however the impact on the group has been considerable. There has been a reduction in occupancy rates and an increase in operating costs including the purchase of Personal Protective Equipment (PPE), introducing additional infection control measures, implementing testing and vaccination programmes, and facilitating visitation of relatives.

Key metrics continue to be monitored closely by the Board and Management, such as: home level outbreaks, test results and vaccination coverage; occupancy, staffing levels and Covid-19 related sickness; supply of PPE and mobilisation of infection control measures. Management have worked alongside key suppliers, in particular of PPE, visitation and infection control equipment, agency workers, food and medicines, in order to mitigate any shortage in supply. They have also been working with local authorities, CCGs, NHS, relatives, and residents to provide reassurance and the best possible care for our residents, despite these difficult circumstances.

Government support to the sector, and therefore the Group, has been important throughout this pandemic. Covid-19 support funding streams have been provided direct by local authorities, as well as nationally led funding in the form of the Coronavirus Job Retention Scheme ('Furlough'), the Infection Control Fund (ICF), Adult Social Care Rapid Test Funding and the Workforce Capacity Funding. Claims have been made against these funds, as detailed in note 5 to the accounts.

The impact of the virus has had a significant impact on the Group's profitability and cashflow.

2. Accounting policies (continued)

2.4 Going concern (continued)

As we continue through the pandemic, we've been able to more accurately assess the risks surrounding it, however due to the inherent unpredictable nature of the crisis the Directors cannot readily determine the full medium to long term impact of the crisis upon the Group, including:

(i) the extent of NHS / Local Authority and self-pay demand for vacant beds, and the associated speed of admissions recovery;

(ii) the degree of continued financial support from the Government, as the care sector emerges from Covid-19 operating restrictions;

(iii) the impact of ongoing Covid-19 related precautionary measures and restrictions, on rates of admission and the operations (and associated costs) of the business in the medium to long-term;

(iv) the impact of new Covid-19 virus variants and mutations on the efficacy of the new current vaccines, and associated speed of scientific response to develop new versions and mobilisation of vaccination programmes to control the rate of spread.

Despite the continued effect of the pandemic on the business, initial indicators of recovery have been noted including:

- There has been a consistent positive trend in non-contract occupancy since February 2021, with occupancy expected to continue to recover.
- The rollout of the vaccine has had a strong uptake, and from 11 November 2021 it became a legal requirement for all staff who work inside our homes to be fully vaccinated.
- The Covid vaccination booster roll out is in full flow along with the flu jab, and we now have over 50% of residents having received a booster vaccination, with further uptake expected going forward.
- The availability and accessibility of Covid-19 testing has increased notably over the last year.

In order to support the Group during the pandemic, the Group obtained support in the form of a bank financial covenant waiver for its leverage covenant until September 2021, and a liquidity injection of up to £15m from the bank in the form of Payment-in-Kind (PIK) interest on the term loan. The covenant was assessed at September 2021 and was not found to exceed the covenant basis for that period. The Group's forecasts, including a downside scenario, indicated it would be able to continue to meet its covenant requirements. The going concern assessment has been made at Group level due to the high level of interdependency between all subsidiaries and parent.

Consequently, the directors are confident that the Group and company will have sufficient funds to continue to meet their 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.

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2. Accounting policies (continued)

2.6 Revenue

The group operates two principal types of residential care contracts with customers:

Residential long-term contracts
Revenue is recognised on a time-elapsed basis as the principal performance obligation is to provide bed capacity. Units of care under these contracts are typically provided on a daily basis and there is no obligation to carry forward any non-utilised capacity.

Residential spot purchase contracts
Revenue is recognised when the Company's principal performance obligation is fulfilled, that is typically when a service user has received care services from the Company, which are usually provided on a daily basis.

Healthcare revenue recognition (Discontinued)
Revenue 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. Revenue is shown net of sales/value added tax, returns, rebates and discounts.

Revenue is recognised when:
- the amount 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.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.7 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2. Accounting policies (continued)

2.8 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

2.9 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.10 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2. Accounting policies (continued)

2.12 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit pension plan

The Group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2. Accounting policies (continued)

2.13 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.14 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Accounting policies (continued)

2.15 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.16 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

2. Accounting policies (continued)

2.16 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings and land	- 2% on cost, less residual value of 30% or 10 years. No depreciation is provided on freehold land.
Long-term leasehold buildings	- The shorter of the period of the lease or the associated contract
Short-term leasehold buildings	- The shorter of the period of the lease or the associated contract
Motor vehicles	- 4 years
Fixtures and fittings	- 7 years
Computer equipment	- 3 years
Other fixed assets	- Over the useful economic life

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Subsequent costs
The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated statement of comprehensive performance, as an expense, as incurred.

Pre-contract costs
Pre-contract costs include the costs attributable to a contract for the period from the date of securing the contract to the date at which financial close is achieved. The award of preferred bidder status is considered as the point at which it is probable that the contract has been secured, although contracts are individually reviewed in order to apply the most appropriate treatment. Costs that relate directly to a contract and which are incurred in this period are included as part of pre-contract costs where they can be separately identified and reliably measured. Such amounts are held within other debtors until such time as financial close of the contract is achieved, at which time they are transferred to assets in the course of construction.

Commissioning costs
Certain pre-opening expenditure is incurred to ensure a residential care home is able to operate in the safe and secure manner intended by management with the necessary regulatory and compliance measures in place. Certain directly attributable costs incurred before commencement of a new business operation, where no underlying customer contract exists, are expensed immediately. When costs incurred are directly attributable to an existing customer contract, they are capitalised within the cost of the building.

2. Accounting policies (continued)

2.16 Tangible fixed assets (continued)

Capitalised interest
Interest costs that are directly attributable to the acquisition or construction of an item of property, plant and equipment are capitalised to the cost of that asset.

2.17 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.18 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.19 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.20 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.21 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2. Accounting policies (continued)

2.22 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.24 Financial instruments

Financial instruments are following IFRS 9 for recognition and measurement.

(i) Recognition and initial measurement

Trade receivables and debt liabilities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the underlying contract. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

Classification
On initial recognition, a financial asset is classified and measured at either amortised cost, fair value through other comprehensive income ("FVOCI") or at fair value through the income statement ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets.

- A financial asset is measured at amortised cost if it is held for the purpose of collecting contractual cashflows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- A debt investment is measured at FVOCI if the business model relates to both collecting contractual cashflows and selling financial assets and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- A company may designate an equity investment that is not held for trading as FVOCI and can choose to make that designation on an investment by investment basis.

2. Accounting policies (continued)

2.24 Financial instruments (continued)

- Any financial asset not held at either amortised cost or FVOCI are held at FVTPL which includes all derivative financial assets.

All financial assets within the group are currently held at amortised cost.

Subsequent measurement

- Financial assets at FVTPL- these are subsequently measured at fair value unless hedge accounting is applied. Net gains and losses, including any interest or dividend income are recognised in profit or loss.

- Financial assets at amortised cost- these are subsequently measured at amortised cost using the effective interest method, with carrying value reduced by any impairment losses. Interest income, foreign exchange gains and losses, impairment and any gains or losses on de-recognition are recognised in profit or loss.

- Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

- Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they include no contractual obligations upon the company to deliver or exchange either cash or other financial assets and where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

2. Accounting policies (continued)

2.24 Financial instruments (continued)

Intra-group financial instruments
Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Group considers these to be insurance arrangements and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

(iii) Impairment
The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets. The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

2. Accounting policies (continued)

2.25 Dividends

Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.26 Land pass through

In the normal course of business the group enters into forward agreements with institutional funders for the development of new residential care homes. Where these funding arrangements include the pass through of land from the company's customer to the institutional provider, who ultimately bear the risks and reward of ownership of the property during construction and on legal completion, the company makes a nil gain or loss from the pass through transaction.

In consideration of the principles of Section 2, Sections 11 and 12 and Section 23 of FRS 102 Reporting substance of transactions, revenue is measured at the fair value of the goods or services received, adjusted by the amount of cash or cash equivalents transferred. Accordingly, the Group recognises the fair value of non-cash deferred income and operating lease charges, being equal and opposite values, within liabilities and assets respectively upon the legal transfer of land. The subsequent amortisation of both the deferred income and lease charge are released to the statement of comprehensive income over the life of the underlying contract and lease relationships.

There is no impact on cash flow or total profit or loss that will ultimately be recognised in the statement of comprehensive income over the life of the operating leases or service contracts.

2.27 Non-GAAP performance measures

The board believe that the measure “adjusted” operating profit provides additional useful information for the shareholders and other stakeholders on the underlying performance of the business. These measures are consistent with how business performance is monitored internally. The adjusted operating profit is not a recognised profit measure under UK GAAP and may not be directly comparable with “adjusted” profit measures used by other companies.

Adjusted operating profit is defined as Operating (loss) / profit adjusted to exclude non-recurring costs. Adjusted EBITDA is defined as Adjusted operating (loss) / profit plus depreciation and amortisation.

2.28 Non-recurring items

Non-recurring items are material transactions or events with a high degree of abnormality that arise outside ordinary activities. They are not expected to recur.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with FRS 102 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year then ended. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

Estimates are used in accounting for allowances for uncollectable receivables, depreciation, amortisation and impairment, pensions, taxes, provisions, and contingencies. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the year that an adjustment is determined to be required.

Management regularly discusses with the Group Audit Committee the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates.

Significant accounting judgements in applying the Company's accounting policies have been applied by the Company in order to prepare the consolidated financial statements with respect to the value of tangible assets (note 14), intangible assets including goodwill (note 13), provisions (note 24), and pensions (note 30), and are described below.

Tangible assets

The Group assesses tangible fixed assets where there are indications that the assets could be impaired. Indicators of impairment include factors internal and external to the organisation that suggest the asset's value may have declined. Where indicators suggest that the value of the asset may have declined, the group estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Further details are given in note 14.

Intangible assets

The group uses forecast cash flow information and estimates of future growth to initially value other intangible assets recognised as part of business combinations, to assess whether goodwill and other intangible assets are impaired, and to determine the useful economic lives of its intangible assets. If the results of operations in a future period are adverse to the estimates used for impairment testing, an impairment charge may be triggered at that point, or a reduction in useful economic life may be required.

Provision for onerous lease

The group has provided for onerous lease contracts in respect of residential care homes to the extent that the unavoidable costs of fulfilling the lease obligation exceeds the estimated economic benefit expected from operating the care home. The calculation of the provision requires an estimate of the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value. The carrying amount of the provision as at 30 September 2021 was £20.7m (2020: £14.7m). The group estimates that the cost would be realised over a period of 16 to 18 years and calculates the provision using the DCF method based on a discount rate of 1.37%.

3. Judgments in applying accounting policies (continued)

Provision for dilapidations

The group has recognised provisions for the cost of dilapidations on leasehold properties based on estimates of the likely cash out flow at the end of the lease, discounted using an appropriate discount rate. The carrying amount of the provision for the year ended 30 September 2021 was £11.8m (2020: £13.4m). This provision is expected to be utilised over a period from 2020 to 2057. See note 24 for further details.

Pensions

Details of the principal actuarial assumptions used in calculating the recognised liability for the Defined Benefit plans are given in note 30. Changes to the discount rate, mortality rates and actual return on plan assets may necessitate material adjustments to this liability in the future.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £M	*2020 £M*
Service revenue from care homes	**351.9**	*363.6*
Provision of primary and secondary healthcare services	**-**	*26.9*
	351.9	*390.5*

5. Other income

	2021 £M	2020 £M
Government grants receivable	**19.9**	*10.0*
Profit on disposal of tangible assets	**0.5**	*0.5*
	20.4	*10.5*

During the year ended 30 September 2021 the Group received grant funding totalling £19.9m (2020: £10.0m) from the government to support the Care sector through the Covid-19 pandemic. The following grant income was recognised in the financial statements during the year:

- Infection Control Fund (ICF), Workforce Grant and Rapid Test Fund (RTF) – £15.9m (2020: £5.2m) recognised in the income statement for costs incurred for implementing infection control procedures aimed at reducing the rate of Covid-19 transmission. This mainly relates to increased staff costs incurred to complete additional infection control procedures, staff costs incurred for absence due to Covid-19 sickness or required isolation because of receiving a positive Covid-19 test result, and for rapid testing of staff

- Covid-19 Job retention scheme ("Furlough") - £1m (2020: £1m) recognised in the income statement to fund the staff costs incurred for employees who are shielding, and staff costs relating to employees who would otherwise be made redundant due to the impact on reduced staffing requirements in certain care homes.

- Covid-19 support payments – Various Local Authorities have provided home specific additional support payments to contribute towards the increased running costs incurred from the Covid-19 pandemic, mainly relating to the Personal Protective Equipment (PPE) costs incurred. A total of £2.9m (2020: £3.8m) has been recognised in the income statement.

The Group has carefully assessed and considered the criteria associated with each stream of grant funding prior to submission of a claim and is of the opinion that all criteria have been met to recognise the amounts detailed above in the financial statements.

All funding streams detailed above are potentially subject to retrospective audit against the criteria of each grant funding scheme.

6. Auditors' remuneration

	2021 £M	2020 £M
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**0.3**	*0.3*

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2021 £M	*Group 2020 £M*	Company 2021 £M	*Company 2020 £M*
Wages and salaries	**203.0**	*195.0*	**-**	*-*
Social security costs	**15.9**	*15.2*	**-**	*-*
Cost of defined benefit scheme	**0.1**	*0.2*	**-**	*-*
Cost of defined contribution scheme	**3.8**	*3.5*	**-**	*-*
	222.8	*213.9*	**-**	*-*

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

	2021 No.	*2020 No.*
Nursing, care and support staff	**10,214**	*10,309*
Management and administration	**382**	*382*
	10,596	*10,691*

8. Directors' remuneration

	2021 £M	*2020 £M*
Directors' emoluments	**0.9**	*3.0*
	0.9	*3.0*

During the year retirement benefits were accruing to 2 directors (2020 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £0.4m (2020 - £0.9m) and company pension contributions of £nil (2020: £nil) were made to a money purchase scheme on their behalf.

9. Interest receivable

	2021 £M	*2020 £M*
Other interest receivable	-	*0.1*
	-	*0.1*

10. Interest payable and similar expenses

	2021 £M	*2020 £M*
Bank interest payable	0.9	*0.7*
Interest payable on borrowings and amortisation of deferred financing costs	13.6	*18.3*
Interest payable on loan notes	10.9	*10.7*
Preference share dividends payable	32.5	*33.0*
Fair value adjustment on bank loans	-	*2.9*
Other interest payable	0.4	*0.5*
	58.3	*66.1*

11. Taxation

	2021 £M	*2020 £M*
Corporation tax		
Adjustments in respect of previous periods	-	*(1.7)*
Tax on disposal of discontinued operation	-	*0.3*
	-	*(1.4)*
Foreign tax		
Foreign tax on income for the year	0.1	*-*
	0.1	*-*
Total current tax	0.1	*(1.4)*
Deferred tax		
Origination and reversal of timing differences	(1.1)	*0.4*
Changes to tax rates	(1.0)	*(0.3)*
Adjustments in respect of previous periods	(1.2)	*(0.4)*
Total deferred tax	(3.3)	*(0.3)*
Taxation on loss	(3.2)	*(1.7)*

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2020 - higher than)* the standard rate of corporation tax in the UK of 19% *(2020 - 19%)*. The differences are explained below:

	2021 **£M**	*2020* *£M*
(Loss)/profit before tax	**(73.2)**	*78.7*
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	**(13.9)**	*15.0*
Effects of:		
Disallowed expenditure	**9.5**	*9.1*
Non-taxable income	**-**	*(29.7)*
Unrelieved loss carried back	**-**	*0.8*
Prior year adjustment	**(1.2)**	*(2.1)*
Change in rate of deferred tax	**(8.0)**	*(0.3)*
Deferred tax not recognised	**11.0**	*4.2*
Other adjustments	**(0.6)**	*1.3*
Total tax charge for the year	**(3.2)**	*(1.7)*

Factors that may affect future tax charges

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023.

The deferred tax balances have been calculated at the balance sheet date using the rate of 25%.

12. Non recurring costs

	2021 £M	*2020 £M*
Property related costs	**0.1**	*0.2*
Admission fee legal costs	**-**	*0.7*
CHC redress and associated costs	**-**	*1.6*
Onerous lease provision movement	**5.9**	*5.0*
	6.0	*7.5*

Property related costs
During the year ended 30 September 2018 one care home was temporarily closed following the discovery of building defects, further costs for this home have been recorded for the year ended 30 September 2020 and year ended 30 September 2021.

Admission fee legal costs
In February 2019, the Competition Market Authority (CMA) issued a claim against the Group under the Enterprise Act 2002. The claim relates to past conduct when the Group used to charge a one-off upfront admission fee. The Group stopped charging this fee in August 2018. The Group has taken advice from specialist legal counsel and in May 2021 a high court trial delivered a judgement in favour of Care UK. An exceptional (non-recurring) charge of £nil (2020: £0.7m) has been included in these financial statements for costs associated with defending this claim.

CHC redress and associated costs
In September 2020, the Group signed an undertaking with the Competition and Markets Authority (CMA) related to the charging of additional fees to NHS Continuing Healthcare (CHC) residents in Care UK's premium care homes. Whilst these fees are common practice with a great many other care home providers, Care UK has agreed to settle this matter to allow it to focus on the more pressing challenges facing the sector. The agreement requires Care UK to stop charging such fees, and to partially refund historically charged fees to approximately 160 residents. Care UK does not accept it has breached any rules or misled anyone taking a place at its care homes and has done its best to be transparent with all involved. An exceptional (non-recurring) charge of £nil (2020: £1.6m) has been included in these financial statements, for the estimated redress payments, associated costs of administering the process and legal charges incurred.

Onerous Lease Provision Movement
During the year ended 30 September 2020 and year ended 30 September 2021 management have reviewed the trading performance for the five homes which currently have an onerous lease provision and any movements in the year relate to these homes.

13. Intangible assets

Group

	Goodwill £M
Cost	
At 1 October 2020	**48.6**
At 30 September 2021	**48.6**
Amortisation	
At 1 October 2020	**11.4**
Charge for the year on owned assets	**4.7**
At 30 September 2021	**16.1**
Net book value	
At 30 September 2021	**32.5**
At 30 September 2020	*37.2*

13. Intangible assets (continued)

The amortisation of intangible assets of £4.7m (2020: £6.9m) is recognised within administrative expenses in the consolidated statement of comprehensive performance.

Intangible assets comprise the value attributed to ongoing customer relationships within acquired businesses and are amortised over their estimated useful economic lives, which do not exceed ten years. The useful economic life is determined by reference to the life of the associated contract.

Management believes that goodwill represents value to the group for which the recognition of a discrete intangible asset is not permitted.

Impairment testing of intangible assets

Impairment testing is carried out where there is an indication of impairment in the year.

Method of impairment testing
The recoverable amount of goodwill and intangible assets allocated to the cash generating units has been determined based on the higher of fair value less costs of disposal and the calculation of the value in use.

For the purposes of calculating the value in use of cash generating units containing goodwill, cash flow projections based on actual operating results and the budget and forecast business plan have been used. A terminal value is placed on the value of the annual cash flows in year five. No adjustment is made for the projected terminal value of the net assets of the individual cash-generating unit. Cash flows associated with post acquisition investment are included within the calculation.

For the purposes of calculating value in use of cash generating units containing other intangible assets, cash flow projections over the remaining life of the underlying contracts, together with extensions based on management's probability weighted expectation of contract renewal where appropriate have been used.

All cash flow projections are based on financial budgets and projections prepared by senior management and approved by the board of directors.

Where the recoverable amount has been determined using fair value, fair value has been determined using external sources including comparable transactions using profitability/revenue multiples.

The group has considered the impact of the current economic and market conditions in determining the appropriate discount rate to use in impairment testing.

K*ey assumptions used in value in use calculation*
The budget and forecast business plans include assumptions of the level of certain key drivers that are assumed to be met to achieve revenue and EBITDA projections.

The key drivers for Residential Care Services are:
- occupancy,
- bed fee rates,
- staff costs
- capital expenditure

13. Intangible assets (continued)

Whilst management is confident that its assumptions are appropriate in light of circumstances at the time of the review, it is possible that circumstances may change. The recoverable amounts calculated on the above basis significantly exceed the carrying values of the cash generating units that include goodwill to the extent that the assumptions made would need to change by a significant amount to eliminate the surplus.

The following discount rates have been used in each value in use calculation:

	2021	2020
Goodwill impairment testing	9.13%	9.2%

14. Tangible fixed assets

Group

	Freehold property £M	Fixtures and fittings £M	Computer equipment £M	Assets in the course of construction £M	Total £M
Cost or valuation					
At 1 October 2020	**286.1**	**95.0**	**9.4**	**36.7**	**427.2**
Additions	**(1.2)**	**14.4**	**0.6**	**30.5**	**44.3**
Disposals	**(5.8)**	**(12.9)**	**(1.4)**	**-**	**(20.1)**
Transfers between classes	**34.1**	**3.1**	**0.1**	**(37.3)**	**-**
At 30 September 2021	**313.2**	**99.6**	**8.7**	**29.9**	**451.4**
Depreciation					
At 1 October 2020	**68.8**	**53.2**	**6.9**	**-**	**128.9**
Charge for the year on owned assets	**6.5**	**11.5**	**1.4**	**-**	**19.4**
Disposals	**(4.9)**	**(12.5)**	**(1.3)**	**-**	**(18.7)**
Impairment charge	**1.4**	**1.1**	**-**	**-**	**2.5**
At 30 September 2021	**71.8**	**53.3**	**7.0**	**-**	**132.1**
Net book value					
At 30 September 2021	**241.4**	**46.3**	**1.7**	**29.9**	**319.3**
At 30 September 2020	*217.3*	*41.8*	*2.5*	*36.7*	*298.3*

14. Tangible fixed assets (continued)

Valuation of land and buildings
The carrying value of certain tangible assets above are based on a valuation conducted by an external independent valuer in 2010 at the time of the acquisition of Care UK Limited, less accumulated depreciation and impairments. The fair value of the valuation was used as deemed cost.

Impairment
The Group considers each individual care home as a cash generating unit (CGU), except in circumstances where certain care homes operate under contractual arrangements with a single local authority in which case the assets are grouped together to form a larger CGU for the purposes of impairment assessment.

Impairment assessments are conducted at this level when indicators of impairment are considered to exist. Consistent with the sector, a combination of the impact of the National Living Wage and Local Authority funding shortfalls restricting fees has resulted in the impairment assessment of the carrying value of the residential care homes.

The recoverable amount of the care homes that are assessed for impairment have been determined based on value in use methodology or fair value less cost to sell. As a result of the assessments, the company has recognised an impairment charge of £2.5m (2020: £5.3m).

Significant assumptions used in the value in use assessments are summarised below:

Post-tax discount rate: 9.13% (2020: 9.22%)
Long term growth rate: 3.25% (2020: 3.21%)

The above assumptions are subject to sensitivity analysis and the impairment review performed is predominantly dependent upon the judgements made in arriving at the future growth rates and discount rates applied in the cash flow projections that are extrapolated over the useful economic life of the respective asset.

15. Fixed asset investments

Company

	Investments in subsidiary companies £M
Cost or valuation	
At 1 October 2020	**185.2**
At 30 September 2021	**185.2**

15. Fixed asset investments (continued)

The following principal subsidiary and joint venture undertakings, which are incorporated in England and Wales and operate in the UK, have been included in the consolidated financial statements. They all have a registered office at Connaught House, 850 The Crescent, Colchester Business Park, Colchester, Essex, CO4 9QB with the exception of the Luxembourg entities which are all registered at 15 Boulevard de Raiffeisen, L-2411, Luxembourg. All entities other than Care UK Midco Ltd are indirectly held by the holding company.

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Care UK Midco Ltd	Same as parent company	Ordinary	100%
Care UK Finance Ltd	Same as parent company	Ordinary	100%
Care UK Investments Ltd	Same as parent company	Ordinary	100%
Care UK Social Care Ltd	Same as parent company	Ordinary	100%
Care UK Ltd	Same as parent company	Ordinary	100%
Care UK Community Partnerships Ltd	Same as parent company	Ordinary	100%
Care UK Community Partnerships (Suffolk) Ltd	Same as parent company	Ordinary	100%
CHS Healthcare Ltd	Same as parent company	Ordinary	100%
Community Health Services Ltd	Same as parent company	Ordinary	100%
CHS (Kincardine) Ltd	Same as parent company	Ordinary	100%
Lanemile Ltd	Same as parent company	Ordinary	100%
Wigmore 1 Ltd	Same as parent company	Ordinary	100%
Care UK Services Ltd *	Same as parent company	Ordinary	100%
Care UK Management Services Ltd *	Same as parent company	Ordinary	100%
Care UK Property Holdings Ltd	Same as parent company	Ordinary	100%
Care UK Property Ltd	Same as parent company	Ordinary	100%
Care UK Developments Ltd	Same as parent company	Ordinary	100%
Care UK Murrayfield Ltd	Same as parent company	Ordinary	100%
Care UK Cheadle Ltd	Same as parent company	Ordinary	100%
Care UK Bromsgrove Ltd	Same as parent company	Ordinary	100%

15. Fixed asset investments (continued)

(continued)

Name	Registered office	Class of shares	Holding
Care UK Bristol Ltd	Same as parent company	Ordinary	100%
Care UK Shinfield Ltd	Same as parent company	Ordinary	100%
Care UK Quorn Ltd	Same as parent company	Ordinary	100%
Care UK Sarisbury Green Ltd	Same as parent company	Ordinary	100%
Care UK Haywards Heath Ltd	Same as parent company	Ordinary	100%
Care UK Cambridge Ltd	Same as parent company	Ordinary	100%
Care UK Angmering Ltd	Same as parent company	Ordinary	100%
Care UK Thame Ltd	Same as parent company	Ordinary	100%
Care UK Dundee Ltd	Same as parent company	Ordinary	100%
Care UK Cardiff Ltd	Same as parent company	Ordinary	100%
Care UK Shrewsbury Ltd	Same as parent company	Ordinary	100%
Care UK Wilmslow Ltd	Same as parent company	Ordinary	100%
Care UK Corsham Ltd	Same as parent company	Ordinary	100%
Care UK Saffron Walden Ltd	Same as parent company	Ordinary	100%
Care UK Hook Ltd	Same as parent company	Ordinary	100%
Care UK Yate Ltd	Same as parent company	Ordinary	100%
Care UK Wantage Ltd	Same as parent company	Ordinary	100%
Care UK SPV Eight Ltd	Same as parent company	Ordinary	100%
Care UK SPV Nine Ltd *	Same as parent company	Ordinary	100%
Silver Sea Holdings Sarl	15 Boulevard de Raiffeisen, L-2411, Luxembourg	Ordinary	100%
Silver Sea Property Holdings Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Developments Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Angmering) Sarl	Same as Luxembourg parent company	Ordinary	100%

15. Fixed asset investments (continued)

(continued)

Name	Registered office	Class of shares	Holding
Silver Sea Properties (Bristol) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Bromsgrove) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Cheadle) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Portobello) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Horndean) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Worcester) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Quorn) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Sarisbury Green) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Shinfield) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Thame) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (St Ives) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Leamington Spa) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Murrayfield) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Whitstable) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Ashford) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Hythe) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Sale) Sarl	Same as Luxembourg parent company	Ordinary	100%
Silver Sea Properties (Chester) Sarl	Same as Luxembourg parent company	Ordinary	100%

* These companies are dormant for the period ended 30 September 2021. Dormant company accounts have been filed at Companies House.

On 3 November 2020, the board of directors decided to divest the Group's interest in Ellerash Limited, a 100% held subsidiary up to this date.

15. Fixed asset investments (continued)

(continued)

The aggregate of the share capital and reserves as at 30 September 2021 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £M	Profit/(Loss) £M
Care UK Midco Ltd	**115.5**	**(11.4)**
Care UK Finance Ltd	**122.0**	**(10.9)**
Care UK Investments Ltd	**(78.9)**	**(27.3)**
Care UK Social Care Ltd	**159.7**	**(10.2)**
Care UK Ltd	**(88.4)**	**(9.2)**
Care UK Community Partnerships Ltd	**135.6**	**(1.8)**
Care UK Community Partnerships (Suffolk) Ltd	**(1.4)**	**-**
CHS Healthcare Ltd	**3.9**	**0.2**
Community Health Services Ltd	**13.5**	**2.8**
CHS (Kincardine) Ltd	**0.6**	**(0.4)**
Lanmeile Ltd	**1.6**	**(0.1)**
Wigmore 1 Ltd	**0.1**	**-**
Care UK Services Ltd *	**-**	**-**
Care UK Managment Services Ltd *	**-**	**-**
Care UK Property Holdings Ltd	**223.4**	**(1.7)**
Care UK Property Ltd	**(1.6)**	**(0.5)**
Care UK Developments Ltd	**0.1**	**-**
Care UK Murrayfield Ltd	**0.2**	**0.3**
Care UK Cheadle Ltd	**0.3**	**0.3**
Care UK Bromsgrove Ltd	**0.3**	**0.3**
Care Bristol Ltd	**0.2**	**-**
Care UK Shinfield Ltd	**0.4**	**0.2**
Care UK Quorn Ltd	**0.4**	**0.3**
Care UK Sarisbury Green Ltd	**0.1**	**0.1**
Care UK Haywards Heath Ltd	**-**	**-**
Care UK Cambridge Ltd	**0.1**	**0.1**
Care UK Angmering Ltd	**-**	**-**
Care UK Thame Ltd	**-**	**-**
Care UK Dundee Ltd	**-**	**-**
Care UK Cardiff L Ltd	**-**	**-**
Care UK Shrewsbury Ltd	**-**	**-**
Care UK Wilmslow Ltd	**-**	**-**

15. Fixed asset investments (continued)

(continued)

Name	Aggregate of share capital and reserves £M	Profit/(Loss) £M
Care UK Corsham Ltd	-	-
Care UK Saffron Walden Ltd	-	-
Care UK Hook Ltd	-	-
Care UK Yate Ltd	-	-
Care UK Wantage Ltd	-	-
Care UK SPV Eight Ltd	-	-
Care UK SPV Nine Ltd *	-	-
Silver Sea Holdings Sarl	5.0	1.3
Silver Sea Property Holdings Sarl	6.9	0.5
Silver Sea Developments Sarl	(0.5)	(0.1)
Silver Sea Properties (Angmering) Sarl	-	-
Silver Sea Properties (Bristol) Sarl	-	-
Silver Sea Properties (Bromsgrove) Sarl	0.5	-
Silver Sea Properties (Cheadle) Sarl	0.6	-
Silver Sea Properties (Portobello) Sarl	0.2	-
Silver Sea Properties (Horndean) Sarl	0.3	-
Silver Sea Properties (Worcester) Sarl	0.2	-
Silver Sea Properties (Quorn) Sarl	-	0.1
Silver Sea Properties (Sarisbury Green) Sarl	-	-
Silver Sea Properties (Shinfield) Sarl	-	0.1
Silver Sea Properties (Thame) Sarl	-	-
Silver Sea Properties (St Ives) Sarl	(0.8)	-
Silver Sea Properties (Leamington Spa) Sarl	(0.9)	-
Silver Sea Properties (Murrayfield) Sarl	0.5	-
Silver Sea Properties (Whitstable) Sarl	-	(0.1)
Silver Sea Properties (Ashford) Sarl	0.6	(0.1)
Silver Sea Properties (Hythe) Sarl	(0.1)	(0.3)
Silver Sea Properties (Sale) Sarl	0.4	0.2
Silver Sea Properties (Chester) Sarl	0.7	0.4

16. Stocks

	Group 2021 £M	Group 2020 £M
Raw materials and consumables	0.7	0.5
	0.7	0.5

The difference between purchase price or production cost of stocks and their replacement cost is not material.

17. Debtors

	Group 2021 £M	Group 2020 £M	Company 2021 £M	Company 2020 £M
Due after more than one year				
Other debtors	12.6	9.6	-	-
Prepayments and accrued income	4.0	4.3	-	-
Taxation recoverable	4.4	1.8	-	-
	21.0	15.7	-	-
Due within one year				
Trade debtors	15.7	25.5	-	-
Amounts owed by group undertakings	-	-	1.2	1.2
Other debtors	10.3	8.3	-	-
Prepayments and accrued income	14.6	11.3	-	-
	61.6	60.8	1.2	1.2

18. Cash and cash equivalents

	Group 2021 £M	Group 2020 £M
Cash at bank and in hand	68.2	73.1
	68.2	73.1

19. Creditors: Amounts falling due within one year

	Group 2021 £M	*Group 2020 £M*	**Company 2021 £M**	*Company 2020 £M*
Bank loans	**80.5**	*2.8*	**-**	*-*
Loan notes	**57.0**	*-*	**-**	*-*
Trade creditors	**19.8**	*19.3*	**-**	*-*
Amounts owed to group undertakings	**-**	*-*	**2.2**	*2.2*
Corporation tax	**1.5**	*1.5*	**-**	*-*
Other taxation and social security	**3.6**	*3.6*	**-**	*-*
Other creditors	**10.7**	*12.6*	**-**	*-*
Accruals and deferred income	**121.0**	*48.5*	**-**	*-*
	294.1	*88.3*	**2.2**	*2.2*

20. Creditors: Amounts falling due after more than one year

	Group 2021 £M	*Group 2020 £M*	**Company 2021 £M**	*Company 2020 £M*
Bank loans and arrangement fees	**206.8**	*258.8*	**-**	*-*
Accrued cumulative preference share dividend	**307.6**	*275.2*	**281.0**	*260.8*
Share capital treated as debt	**248.8**	*248.8*	**126.3**	*126.3*
Accruals and deferred income	**23.5**	*73.5*	**-**	*-*
Loan notes	**-**	*57.0*	**-**	*-*
	786.7	*913.3*	**407.3**	*387.1*

. **Creditors: Amounts falling due after more than one year (continued)**

This note details the terms and conditions attached to the Facility B Term Loan Revolving Credit Facility and the loan from related party. The terms of the Facility B Term Loan was amended as part of a refinancing exercise on 25th September 2020.

Bank loans

Facility B Term Loan
On 25 October 2020, the group disposed of its Healthcare business and repaid £55.0m of the Facility B Term Loan reducing the principal loan value to £195m. The facility was further refinanced on 25 September 2020 to allow for interest to be rolled up into the loan, as Payment-in-Kind (PIK) interest. This incurred a £1.95m fee that was added to the loan value. The margin payable on any loan utilisation had a new upper margin added to give a range of interest of 5.0% to 6.0% above LIBOR depending on the total net leverage of the group which is paid in arrears based on agreed utilisation period. Interest during the PIK period is subject to a further 1% margin. At 30 September 2021, the Loan value including refinancing fees and PIK interest stood at £209.4m (2020: £201.5m). The termination date of Facility B is 25th July 2024.

Revolving Credit Facility
The Revolving Credit Facility of £37.5m was reduced to £20m following the group's disposal of its Healthcare business on 25 October 2020. The margin payable on any loan utilisation under the RCF is in the range of 2.25% to 3.25% above LIBOR depending on the total net leverage of the group. Each utilisation under the facility is repayable and capable of being redrawn at the end of each interest period. The final repayment date is 25 January 2024.

Loan Notes
The term 'Loan Notes' refers to two tranches of notes. The term 'Notes' means the Loan Notes and the Payment In Kind Notes ('PIK Notes'). The Loan Notes rank pari passu among themselves. Until the Loan Notes are redeemed, interest on the principal amount of the Loan Notes is payable annually on 9 May (the "interest payment date").

The Group may at its discretion elect to defer payment of interest on the Notes otherwise payable on the interest payment date. If the Group elects to defer payment of interest on the Notes, such interest shall automatically compound as from the relevant interest payment date so that it bears interest from such date as if it had been added to the principal amount of the loan note then outstanding.

The Group may, at the election and with the consent of any Noteholder, satisfy its obligation to pay interest in respect of the Notes by issuing the relevant Noteholders with Payment In Kind Notes ('PIK Notes') (on the basis of £1 nominal amount of PIK Notes for every £1 of interest due to the Noteholder) in full or partial satisfaction of any interest that has accrued in respect of the Notes up to that date (to the extent that such interest has not previously been satisfied by the issue of PIK Notes). The issue of the PIK Notes shall be treated as if it were a payment of interest falling due in respect of such Notes of an amount equal to the nominal value of the PIK Notes at the time of issue. Any PIK Notes issued by Care UK Finance Limited shall be issued on identical terms mutatis mutandis to the Notes issued. The PIK Notes when issued shall rank pari passu among themselves. Subsequent to year end, the Loan Notes repayment date was extended to 31 January 2024.

Preference Shares
The Group have issued preference shares which are classified as debt. Dividends are accrued cumulatively on these preference shares. The repayment date is expected to be more than 5 years from the balance sheet date.

21. Loans

The analysis of the amounts due on loans is shown below:

	Group 2021 £M	*Group 2020 £M*
Amounts falling due within one year		
Bank loans	**80.5**	*2.8*
Loan notes	**57.0**	-
	137.5	*2.8*
Amounts falling due 1-2 years		
Bank loans	**-**	*43.3*
	-	*43.3*
Amounts falling due 2-5 years		
Bank loans	**206.8**	*215.4*
	206.8	*215.4*
	344.3	*261.5*

22. Deferred taxation

Deferred tax is calculated in full on temporary differences using tax rates of 25% (2020: 19%).

Recognised deferred tax assets
Deferred tax assets have been recognised in respect of tax losses and other deductible temporary differences, the movements in deferred tax assets and liabilities during the year are shown below.

Group

	2021 £M	*2020 £M*
At beginning of year	**1.8**	*4.6*
Charged to profit or loss	**3.3**	*0.3*
Charged to other comprehensive income	**(0.7)**	*0.2*
Sale of Healthcare division	**-**	*(3.3)*
At end of year	**4.4**	*1.8*

The deferred tax asset is made up as follows:

	Group 2021 £M	*Group 2020 £M*
Accelerated capital allowances	**(2.1)**	*(3.2)*
Tax losses carried forward	**5.2**	*3.3*
Pension surplus	**0.1**	*0.9*
Other items	**1.2**	*0.8*
	4.4	*1.8*

The total amount of unrecognised deferred tax assets as at 30 September 2021 is made up of £56.2m (2020: £55.2m) of unused tax losses and £90.3m (2020: £40.0m) of corporate interest restriction

23. Financial risk management

The Group's activities and debt financing expose it to a variety of financial risks, the most significant of which are market risk (cash flow interest rate risk and price risk), credit risk and liquidity risk (changes in the debt market). Care UK's overall risk management strategy seeks to minimise potential adverse effects on Care UK's financial performance. Further detail is provided below.

i) Cash Flow Interest Rate Risk

In October 2019, the Care UK group disposed of its Healthcare business. The RCF facility was reduced from £37.5m to £20m and the Facility B Term loan was reduced by £55m to £195m. A further refinancing of the Facility B Term loan was completed on 25th September 2020 which introduced a Payment-in-Kind (PIK) facility. Both instruments carry a fixed margin (subject to leverage conditions) together with a LIBOR floating interest rate. Interest during the PIK period attracts a further 1% margin. Therefore, future rate rises would increase future interest costs however Care UK believes this risk to be tolerable based on the anticipated future direction of interest rates and Care UK's ability to service these debts from operating cash flows. A 1% increase in the LIBOR rate would increase annual interest costs by up to £2.1m under these new facilities. The value of the Facility B Term Loan outstanding at 30th September 2021 is £206.8m.

ii) Price Risk

Care UK is not exposed to commodity price risk but as a provider of services is subject to both general and industry specific wage pressures, including legislative changes concerning the minimum wage level. Contracts with Local Authorities, Clinical Commissioning Groups and other NHS funded bodies are also subject to annual price review.

iii) Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. Credit exposures in relation to customers is limited given that the majority of Care UK's revenue is attributable to publicly funded entities such as Local Authorities and NHS funded bodies. Care UK has no significant concentrations of credit risk. For banks and financial institutions, only parties with a minimum rating of A are accepted.

iv) Liquidity Risk

A policy of prudent liquidity management is applied that includes the preparation of regular detailed cash flow forecasts to monitor liquidity, maintenance of adequate headroom in available facilities and compliance with the facility covenants. These annual and shorter term cash flow forecasts reflect known commitments and anticipated projects. Borrowing facilities are arranged as necessary to finance projected requirements, including capital expenditure.

Strong working relationships are maintained with our banking partners, to facility the regular provision of compliance reporting, and oversight of key issues impacting the business.

24. Provisions

Group

	Onerous Lease Provision £M	Dilapidations Provision £M	Total £M
At 1 October 2020	**14.7**	**13.4**	**28.1**
Charged to profit or loss	**6.0**	**(1.5)**	**4.5**
Utilised in year	**-**	**(0.1)**	**(0.1)**
At 30 September 2021	**20.7**	**11.8**	**32.5**

Onerous lease
In 2015 Care UK made significant provisions for both onerous contracts and leases relating to certain residential care homes whereby, based on management's assessment, the unavoidable costs of fulfilling the obligations on these care homes exceeds, to various degrees, the economic benefits expected from operating the care homes. The provision is reviewed annually on a home by home basis.

Dilapidations
The dilapidations provision relates to the expected cost of dilapidations on leasehold properties based on estimates of the likely cash out flow at the end of the lease, discounted using an appropriate discount rate. This provision will be utilised over the remaining lease terms from 2020 to 2057.

25. Share capital

	2021 £m	2020 £m
Shares classified as equity		
Allotted, called up and fully paid		
1,000,000 (2020: 1,000,000) Ordinary A1 Shares of £0.02 each	-	-
3,893,985 (2020: 3,893,985) Ordinary B Shares of £0.01 each	-	-
9,998 (2020: 9,998) Ordinary C Shares of £0.001 each	-	-
10,000 (2020: 10,000) Ordinary D Shares of £0.001 each	-	-
925,000 (2020: 925,000) Deferred Shares of £0.01 each	-	-
	-	-

	2021 £m	2020 £m
Shares classified as debt		
Allotted, called up and fully paid		
126,258,568 (2020: 126,258,568) A Preferred Shares of £0.01 each	1.3	1.3
122,506,000 (2020: 122,506,000) Preference Shares of £1.00 each (The Preference Shares mentioned above are in Care UK Midco Ltd)	122.5	122.5
Share premium		
126,258,568 (2019: 126,258,568) A Preferred Shares of £0.99 each	125.0	125.0
	248.8	248.8

26. Reserves

Share premium account

Share premium account represents the value paid above the nominal value of the shares issued.

Other reserves

This represents the capital contribution reserve created when the shareholder cancelled loan notes in return for the issuance of newly issued preference shares.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

27. Share based payments

In December 2015 certain senior management were invited to become shareholders in their employing company and also in the ultimate parent company, Care UK Holdings Limited. For Care UK Holdings Ltd, management could purchase either A1 ordinary, C ordinary or D ordinary shares depending on the division in which they were employed. Management in subsidiaries were offered A ordinary shares in their employing company. The shares were offered at a price reflecting the fair value of the shares on the date of issue and the terms and conditions attached to the shares. The fair value of the shares acquired was measured at the grant date using the estimated enterprise value of the business, and market conditions such as the management estimate of exit date. These shares entitle management to a certain level of return in the case of any sale by the controlling party, subject to certain value thresholds being met. To qualify, the management must be employed by the group at the point of sale. If management leave the business, then it is anticipated that their shares will be repurchased by either other employees or the employee benefit trust.

In the consolidated Financial Statements, these shares have been accounted for as equity settled share based payments. The issue of the shares resulted in an increase in equity in the subsidiary for the fair value of the shares issued. Given management paid fair value for the equity instruments, there was no impact in the income statement.

The table below shows the shares have been issued by subsidiaries which meet the definition of share based payments:

	2021 Number	2021 Fair value on grant date (£)	2020 Number	2020 Fair value on grant date (£)
- A Ordinary shares in Residential subsidiary	**13,333**	**25,333**	*13,333*	*25,333*
- A1 Ordinary shares in parent company	**1,000,000**	**40,000**	*1,000,000*	*40,000*
- C Ordinary shares in parent company	**9,998**	**100**	*9,998*	*100*
- D Ordinary shares in parent company	**10,000**	**100**	*10,000*	*100*

Share based payments (continued)

During 2021, no charge (2020: £nil) has been recognised in respect of these arrangements.

There were no changes to the terms and conditions attached to the shares during the current year and there were no other shares granted in the current year.

The ordinary shares issued to management within the subsidiaries effectively represents non- controlling interests. Given the terms and conditions attached to these shares, the carrying value of the non-controlling interests is limited to the price paid by management and has not been recognised on the grounds of materiality.

28. Discontinued operations

On 25 October 2019, the Group sold its shares in Care UK Healthcare Holdings Limited to a new company Practice Plus Group Bidco Limited, whose equity ownership sits outside of the Group but continues to be managed by Bridgepoint. The proceeds and assets disposed of are detailed in the table below.

		£M
Cash proceeds		**212.2**
		212.2
Net assets disposed of:		
Tangible fixed assets	**(21.8)**	
Intangible assets	**(62.2)**	
Deferred tax asset	**(3.3)**	
Stocks	**(1.9)**	
Debtors	**(28.6)**	
Cash	**(7.9)**	
Trade creditors and other payables	**67.7**	
Current tax liabilities	**0.6**	
Other liabilities	**(0.1)**	
Provisions	**5.5**	
		52.0
Profit on disposal before tax		**(160.2)**

The net inflow of cash in respect of the sale of the Healthcare division is as follows:

	£M
Cash consideration	**212.2**
Cash transferred on disposal	**(7.9)**
Net inflow of cash	**204.3**

29. Contingent liabilities

Cross guarantees
The group has a number of cross guarantees between group companies relating to debtor balances. The directors consider that the likelihood of these guarantees being called upon is remote.

30. Pension commitments

The group has established a number of pension schemes, both defined contribution and defined benefit, covering a number of its employees.

(a) Defined contribution plan

The group has a defined contribution group personal pension plan as well as a trust based occupational defined contribution pension scheme. These schemes comply with the new workplace pension reform requirements. Group contributions to these schemes are charged as an expense to the consolidated statement of comprehensive income as they fall due. The assets of these schemes are held separately from those of the Group in independently administered funds.

Pension costs for defined contribution schemes for the continuing business are as follows:

	2021	2020
	£m	£m
Defined contribution schemes	**4.0**	3.7

The Group operates a defined benefit pension scheme.

As a result of contractual arrangements with a small number of public sector customers, the Group contributes to three (2020: four) defined benefit pension arrangements. These schemes provide pension benefits based on a mixture of final pensionable pay and career average revalued earnings.

The schemes are funded by payments to independently managed funds, the assets of which are held separately from those of the Group. The funds are administered by trustees as a separate legal entity or by administering authorities in the case of county council schemes. The trustees of the fund are required to act in the best interest of the fund's beneficiaries. The appointment of trustees is determined by the schemes' trust documentation.

Contributions to the defined benefit pension schemes are charged to the consolidated statement of comprehensive performance so as to spread the cost of pensions over employees' estimated working lives with the group. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method.

The liabilities of the defined benefit schemes are measured by discounting the best estimate of future cash flows to be paid out by the schemes using the projected unit method. This is the amount, after taking into consideration reimbursement assets, which is reflected in the deficit in the consolidated statement of financial position. The projected unit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Under the terms of the group's contract with certain of the county council pension schemes, the group is indemnified for any shortfall in scheme assets and for any increase in contributions required by any future actuarial valuation; hence the group has no constructive or legal obligation to fund a deficit on the associated segregated portion of these schemes. Accordingly, the group has recognised an asset equal to the current deficit on the segregated portion of these schemes. These reimbursement assets have been presented as offsetting the current scheme deficit on the segregated portion of the schemes and are therefore included within retirement benefit obligations.

Details of the principal defined benefit scheme are provided below.

30. Pension commitments (continued)

Care UK LG Pension Scheme

The most recent approved triennial actuarial valuation was at 1 April 2018. At the date of the actuarial valuation the scheme had a funding deficit of £1.7m and the actuarial value of those assets represented 93% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Further to the valuation, the Trustees have agreed with the employer an additional amount of £20,400 per month as part of a recovery plan to be paid to 31 August 2026, plus an additional £0.5m per annum contingent on certain events, subject to a maximum future payment of £1.3m or the scheme being fully funded. The group will continue to monitor funding levels on an annual basis. The next triennial valuation report will be as at 1 April 2021.

Employer contributions amounted to £0.8m for the year ended 30 September 2021 (2020: £0.9m). The net defined benefit liability at 30 September 2021 was £0.5m (2020: £4.6m).
The scheme obtains approval by the Government Actuarial Department when new members join the scheme. Currently the Trustee Board has three Trustees nominated by the employer and an independent Trustee.

Risks

By funding its defined benefit pension schemes, the group is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

- Investment returns on the schemes' assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the schemes' liabilities;
- The level of price inflation may be higher from that assumed, resulting in higher payments from the schemes;
- Scheme members may live longer than assumed, for example due to unanticipated advances in medical health care. Members may also exercise (or not exercise) options in a way that leads to increases in the schemes' liabilities, for example through early retirement or commutation of pension for cash;
- Legislative changes could also lead to an increase in the schemes' liabilities.

30. Pension commitments (continued)

Reconciliation of present value of plan liabilities:

	2021 £M	2020 £M
Reconciliation of present value of plan liabilities		
At the beginning of the year	**65.7**	*73.5*
Current service cost	**0.2**	*0.2*
Interest cost	**1.0**	*1.3*
Actuarial gains/losses	**1.1**	*(1.2)*
Benefits paid	**(1.2)**	*(1.1)*
Annuity policies	**2.7**	*-*
Transfer of pension outside of Care UK	**(4.7)**	*-*
Sale of Healthcare division	**-**	*(7.0)*
At the end of the year	**64.8**	*65.7*

Reconciliation of present value of plan assets:

	2021 £M	2020 £M
At the beginning of the year	**60.1**	*68.0*
Expected rate of return on plan assets	**0.9**	*1.0*
Actuarial gains/losses	**6.4**	*(1.7)*
Company contributions	**0.8**	*0.9*
Benefits paid	**(1.2)**	*(1.1)*
Annuity policies	**2.7**	*-*
Transfer of pension outside of Care UK	**(3.2)**	*-*
Sale of Healthcare division	**-**	*(7.0)*
At the end of the year	**66.5**	*60.1*

30. Pension commitments (continued)

Composition of plan assets:

	2021 £M	2020 £M
Equities	4.4	5.5
Bonds	13.6	13.1
Investments funds	44.2	36.3
Other	4.3	5.2
Total plan assets	**66.5**	60.1

	2021 £M	2020 £M
Fair value of plan assets	66.5	60.1
Present value of plan liabilities	(64.8)	(65.7)
Pension reimbursement	(2.2)	1.0
Net pension scheme liability	**(0.5)**	(4.6)

The amounts recognised in profit or loss are as follows:

	2021 £M	2020 £M
Current service cost	0.2	0.2
Gains on curtailments and settlements	(0.5)	(0.5)
Interest cost	0.5	0.6
Total	**0.2**	0.3

Reconciliation of present value of pension reimbursement:

	2021 £M	2020 £M
At the beginning of the year	1.0	1.3
Received	-	0.1
Decrease in year	(1.7)	(0.4)
Transfer of pension outside of Care UK	(1.5)	-
Closing defined benefit obligation	**(2.2)**	1.0

30. Pension commitments (continued)

Reconciliation of company pension net liability:

	2021 **£M**	*2020* *£M*
Fair value of plan assets	**66.5**	*60.1*
Present value of plan liabilities	**(64.8)**	*(65.7)*
Pension reimbursement	**(2.2)**	*1.0*
	(0.5)	*(4.6)*

The cumulative amount of actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income was £3.6m *(2020 - £1.0m).*

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2021 **%**	*2020* *%*
Discount rate	**2.0**	*1.6*
Future salary increases	**2.0**	*2.0*
Future pension increases	**3.1**	*2.4*
Inflation assumption	**3.7**	*3.0*
Mortality rates		
- for a male aged 65 now	**86.8**	*87.2*
- at 65 for a male aged 45 now	**88.4**	*88.4*
- for a female aged 65 now	**88.9**	*89.3*
- at 65 for a female member aged 45 now	**90.9**	*90.8*

31. Commitments under operating leases

At 30 September 2021 the Group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £M	*Group 2020 £M*
Not later than 1 year	**49.6**	*53.0*
Later than 1 year and not later than 5 years	**198.4**	*211.8*
Later than 5 years	**849.7**	*953.1*
	1,097.7	*1,217.9*

32. Related party transactions

(a) Identity of related parties
The group has a related party relationship with its subsidiaries and with its directors and executive officers.

(b) Pension plans
During the year, the group made various payments to defined benefit pension plans. Details of these transactions are set out in note 31 to the financial statements.

(c) Company transactions with subsidiaries
The group centrally manages its financing arrangements. Amounts are transferred within the Group, dependent on the operational needs of individual companies. The directors do not consider it meaningful to set out the gross amounts of transfers between individual companies. Similarly the directors do not consider it meaningful to set out the interest and dividend payments made within the Group as these are a function of the Group's central financing arrangements. There are no provisions or expenses recognised for doubtful debts with subsidiary undertakings.

There were no income statement transactions between the Company and any related parties during the year ended 30 September 2021 (2020: none).

(d) Transactions with key management personnel

(i) Identity
The Group and Company have identified key management personnel as being the directors of the company and the members of the executive committee. Total remuneration and directors' emoluments are included in note 8.

(ii) Shareholdings
Key management personnel have 1.8% (2020: 1.8%) of the voting shares of the Company.

(iii) Loan notes
Key management personnel hold 10.6% (2020: 10.6%) of the Tranche B Loan Notes at the balance sheet date.

There have been no other loans or other transactions with key management personnel during the year (2020: none).

33. Financial commitments

In line with the growth strategy of the Residential Care Services division of Care UK, the group enters into forward agreements for the development of new residential care homes. As part of these funding arrangements Care UK agrees to enter into a commercial operating lease in respect of the new care home upon practical completion. The lease terms can vary but are typically of between 20 and 30 years duration. As at 30 September 2021, Care UK has three (2020: six) such build projects in progress whereby future operating lease commitments will commence upon completion of the new home.

34. Post balance sheet events

The Group has entered into a contract for the management of 26 premium care homes, commencing 1 December 2021.

35. Ultimate parent company and controlling party

Bridgepoint Europe IV (Nominees) Limited holds 78.7% of the issued ordinary share capital that carries voting rights within Care UK Holdings Limited as nominee for Bridgepoint Europe IV "A" LP, Bridgepoint Europe IV "B" LP, Bridgepoint Europe IV "C" LP, Bridgepoint Europe IV "D" LP, Bridgepoint Europe IV "E" LP, Bridgepoint Europe IV "F" LP and Bridgepoint Europe IV "G" LP (together the "BEIV Fund"). The BEIV Fund is managed by Bridgepoint.

The remaining 21.3% of the issued ordinary share capital that carries voting rights within Care UK Holdings Limited is held by Mike Parish, Philip Whitecross, other members of Care UK's senior management and a number of Care UK's employees and an independently managed benefit trust, who together hold 20.4% of the issued ordinary share capital with voting rights within Care UK Holdings Limited, as well as the group's former Chairman, whose trustees hold 0.9% of the issued ordinary share capital with voting rights.

These Financial Statements comprise the largest group consolidated Financial Statements of the Care UK group.