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5-star luxury care accommodation Investment Overview

The Care Home Group Ltd

The Care Home Group Ltd. Incorporated and registered in England & Wales under the Companies Act as a public company with registration number 09688688

Autumn 2017 | Commercial in confidence

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Executive summary

Our mission

The Care Home Group acquires, renovates and operates 5-star luxury retirement and care accommodation in affluent areas of the south west of England, providing premium levels of care and customer service to residents aged 65+ who self-fund their care.

The market opportunity

The number of people reaching retirement age in the UK is growing - and will continue to do so at a steady rate for the next 20 years. During this period the number of people aged 85+ will grow by 106%. The number of care beds in the UK is currently declining however, as older properties close due to lack of investment. Industry experts warn of an acute shortfall in beds by 2020. New facilities will be required - and will need to cater for a retiring generation that has higher expectations, and the financial resources to fund them, for care in its later years.

Our proposition

The Care Home Group acquires suitable dilapidated properties and renovates them to a luxury standard using its own property development business. The Group then operates them, using its dedicated care services business, as 5-star care facilities for self-funding retirees offering premium standards of professional nursing and care together with hotel standards of customer service. Our Care Communities offer the full spectrum of care for residents, from assisted living apartments to residential, nursing and dementia care in specialist care studios, meaning that residents' needs can be catered for throughout their later years as their care needs change.

Revenue generation

The Care Home Group generates revenue through the sale or lease of care studios and assisted living apartments within each Care Community to permanent residents, and through the premium fees it charges for their care, services and support in luxurious surroundings. Short-term 'respite' stays are also available.

Development plan 2016-19

The Care Home Group plans to acquire, renovate and operate a large portfolio of care communities over the next three years, providing around 500 care beds within specialist care studios and larger assisted living apartments. Phase 1 of the Group's first development - a residential care home in Yeovil, Somerset - opened in January 2017, with several further developments currently underway.

Investment opportunities

The Care Home Group offers a range of investment opportunities for persons who qualify as high net worth individuals, sophisticated investors, and self-certified sophisticated investors.

Investment income

Investors can choose to receive rental income from their investment in one of two ways. They can choose to receive their income direct from the resident of their care studio (which offers a higher ROI but will be variable depending on occupancy of the studio) or via a managed service provider (whereby their monthly income is assured regardless of whether the studio is occupied or not, at a slightly lower ROI). Investors can switch between the two options at any time (see our FAQs for more detail). Investors can also purchase for their own use, or use by a loved one.

Note: all photography used in this proposal are of actual staff, residents, services, properties and interiors of operational homes owned by The Care Home Group SPVs and operated by Caring Communities Ltd.

About the company

Company details and structure

The Care Home Group Ltd is a subsidiary of Corporate Land Solutions Ltd, located at Units 3-4 Bartec 4, Lynx (West) Trading Estate, Yeovil, Somerset BA20 2SU, with company number 09198505.

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The freehold of each purchased and redeveloped property is owned by a separate Special Purpose Vehicle (SPV), which is a wholly-owned subsidiary of The Care Home Group. A structure chart is shown below.

carlauren
developments uk

The Developer is Carlauren Developments Ltd registered at Units 3-4 Bartec 4, Lynx (West) Trading Estate, Yeovil, Somerset BA20 2SU. Carlauren Developments is a sister company of Corporate Land Solutions Ltd, with company number 10151580.

Carlauren's development team includes experienced architects, interior designers, buyers, QS, project managers and furniture manufacturers with a proven track record in the residential and care sectors, as well as a skilled sub-contractor workforce of construction tradesmen.

caring 
communities
luxury living for later life

Care, management and support services at each property are provided by Caring Communities Ltd located at Units 3-4 Bartec 4, Lynx (West) Trading Estate, Yeovil, Somerset BA20 2SU. Caring Communities is a wholly-owned subsidiary of the Group with company number 10151662.

Caring Communities is registered with the Care Quality Commission (CQC) for the provision of residential, nursing and domiciliary care services at all our facilities (CQC Provider ID: 1-2823659286).

The management team of Caring Communities have gained many years' front-line experience in a variety of adult care settings, including specialist mental health and dementia facilities. They have an excellent track record in managing well-performing residential, nursing and domiciliary care teams, running profitable businesses, and achieving full compliance with Care Quality Commission (CQC) and Gold Standards Framework reporting, and the requirements of the Health & Social Care Act 2012. Further information on its range of services is included in this brochure.

CORPORATE LAND SOLUTIONS LTD

THE CARE HOME GROUP LTD

PROPERTY FREEHOLDER	SPV1 Trading as Caring Communities Hurst Manor	SPV2 Trading as Caring Communities Yeovil	SPV3 Trading as Caring Communities Rosewell	SPV4 Trading as etc...
OPERATOR	Caring Communities Ltd			
DEVELOPER	Carlauren Developments Ltd			

Administration, finance, HR, sales and marketing and other support services are provided to all businesses from staff employed centrally by The Care Home Group Ltd, based at its Yeovil HQ.



Sean Murray, CEO

Sean is a seasoned entrepreneur with a track record in creating and growing successful businesses and investment opportunities in the UK and international real estate, telecoms and IT markets.

Following a number of successful product and system innovations spanning internet/mobile phone networks, software and property development, Sean founded The Care Home Group in 2015 to target what he felt was a gap in the current adult care market for a proposition that brought together premium accommodation with 5-star levels of care, services and support. Sean is the sole director and 100% shareholder of Corporate Land Solutions Ltd.



Russell Gardner, MD

Russell has many years' experience in establishing and growing successful businesses in the pharmaceutical, catering, industrial and manufacturing sectors. This has included the development of an

innovative aseptic process for packaging long-life milk, developing the technology and the brand 'Dairy Stix' which is now seen in hotels and other facilities around the world. He also established Allied Pharma Machinery in 2006, a pharmaceutical equipment agency working with leading manufacturers and selling to the world's largest pharma companies. Russell supports Sean in developing the structure and organisation of the business as it rapidly expands.



**Steve Twigg,
Director of Marketing**

An architecture graduate and full member of the Chartered Institutes of Marketing and Public Relations, Steve leads on investor and residential brand, marketing and

communications strategies, as well as having a creative role on development projects. He has more than 20 years' experience of design, marketing, sales and business development within the UK real estate market - including 15 years at the FTSE100 Capita plc, where he played an integral role in its growth into one of the UK's largest real estate and infrastructure consultancies with over 4,500 staff and revenues of £330m.



**Paul Murphy,
Executive Consultant**

Paul has over 20 years' experience in selling UK and international real estate investments to private investors around the world, and has developed an in-depth understanding of UK

financial markets and diversification for private client's portfolios. He is an independent consultant, responsible for all commercial activity relating to investment sales, including management of our international agency network.



**Robert Fielder,
Director of Care & Support**

Robert has over 35 years' experience working in adult social care and heads our Caring Communities business. An experienced care professional Robert has held senior management

positions in both the elderly and learning disability sectors and has worked for the Care Quality Commission (CQC) as an inspector of care homes, supported living environments and day care services. He has been chartered in both housing and management and a corporate member of the Chartered Institute of Housing.



**Gareth Bristow,
Design Manager**

Gareth is the senior designer within our Carlauren development team, with 30+ years' award-winning expertise in masterplanning, interior design, conservation, designing for care and

managing multi-million pound projects for global architecture practices and high net worth clients.

Outstanding care and support

caring 
communities



Caring Communities is The Care Home Group's CQC-registered care services provider, and provides care, support and management services at all its facilities - as well as providing care to self-funding clients in their own homes within neighbouring communities.

As its name suggests, Caring Communities is committed to creating safe, loving and inclusive environments in which residents can enjoy their independence with bespoke care tailored to their individual needs.

We recruit and train staff to deliver the highest standards of care. Whether they are supporting a client within their own home, or as a resident at our facilities, it's their job to ensure that they enjoy their time with us with the comfort of knowing that professional care and support is always at hand.

Regardless of whether a client's care needs are an occasional helping hand from time-to-time, or complex and specialist nursing care, our aim will always be to support them to live as full and active a life as possible, every day.

Often, it's the little details that make a big difference, so we'll always strive to understand what's important to each and every client so that our care can be focused around them as an unique individual.

Care at home

Caring Communities has recently launched its 'Care at home' service to communities in Somerset and Dorset.

The service provides a range of tailored home care services to private clients – from regular visits to provide personal care, medication and domestic support to full-time live-in care. This enables our staff to build strong links with the local community - and also provide a premium care service to clients in their own home in advance of them potentially becoming residential clients in the future, ensuring a seamless continuity of care.

Assisted living & residential care

Caring Communities operates the Group's refurbished, traditional properties offering luxury hotel interiors, fine home-cooked dining and 5-star levels of customer service and care, every minute of the day.

Whether individuals or couples are looking to downsize to a one or two-bed assisted living apartment (with support from our 'care at home' teams) or need the



extra care and support of a residential home (where our staff are on hand 24 hours a day), we help them to live as independently, and comfortably, as possible.

Respite care & supported breaks

All homes are also available for shorter-term respite and/or convalescent care while a regular carer takes a break, or when a person needs a bit of extra personal or nursing care after a period in hospital.

We're also developing 'care hotels' in popular UK tourist locations where guests can enjoy a premium standard of leisure accommodation with the added reassurance and support of our care staff on hand 24/7. We offer a range of care packages to suit a variety of needs - from a couple of hours a day to full-time care - as well as all-inclusive meal and activities programmes.

Nursing & specialist care

With the number of people in the UK suffering with dementia set to double in the next 30 years, the need for high quality, future-proof facilities is growing. We provide reassuring, comforting and caring environments where individual medical and specialist dementia needs are catered for by qualified nursing and support staff.

We recognise the positive contribution to well-being that a safe, considerate and pleasant living environment can make, and provide 5-star interiors specifically tailored to the needs of residents requiring specialist care and the operational needs of nursing staff.





Why invest in care?

Analysis of market data by industry experts such as Knight Frank and LaingBuisson consistently shows a growing shortage of elderly care accommodation in the UK. This is down to an increase in demand through dramatic population shift and a decline in the number of existing beds as dilapidated properties close.

Demographic change

It is a well-documented fact that Britain's population is ageing. In 2012 the number of people aged 65 and older surpassed 10 million for the first time; they now outnumber those aged 16 and under.

The 85+ age group is the fastest growing demographic in the UK, as people live longer through improvements in health, diet and preventative care. Over the next 20 years this age group is set to grow to over 2.6 million people, a massive 106% increase.

This trend will be accelerated over the coming decades by the retirement of the so-called 'Baby Boomer' generation, born when Britain experienced a markedly higher birth rate between 1946-64. Those born at this time are now beginning to reach retirement age and are set to have a considerable effect on the people, society and economy of the UK over the next 20 years.

With this dramatic population change comes increasing pressure on specialist dementia and nursing care. There are currently over 800,000 people living with dementia - a figure that will rise to 1 million by 2021, and more than double by 2050.

Critically, the number of people of working age supporting our ageing population (known as the Dependency Ratio) is moving in the opposite direction; declining from 4 people per retiree at present to 2.5 by 2035 and 2 by 2050.

The Care Home Group's current developments are situated in Somerset, south-west England, with plans to expand its portfolio across neighbouring affluent areas, such as Dorset, in the near future.

Demand for care accommodation in the region is high, as the county has a significantly higher percentage (26%) of people over retirement age than the national average. This demographic has swelled considerably in the past five years, with a 15% increase in the total number of people aged 65+ including a significant 26% growth in those aged 90+. This trend is set to continue, with a projected rise at almost three times the rate of the overall population of the county by 2025.

Declining care home capacity

In the 12 months to September 2015 there was a net loss of 189 care homes in the UK, equating to 2,200 fewer beds. Almost half of these were lost in the

south west of England, where The Care Home Group is focussing its business.

According to Knight Frank's 'UK Healthcare Development Opportunities' (2015), if current trends continue the existing UK bed supply of 456,400 is forecast to fall to 444,700, while the population of over 65s will rise from 11.4 million to 12.4 million, resulting in an acute shortage of care beds by 2020 (Figures 1&2).

There is therefore a need for new, future-proof facilities – but the inflationary cost of new raw materials has stymied many new build opportunities (Knight Frank 'Specialist Property 2016'). The care sector needs further stock but only 6,000 beds are being constructed per annum, less than are being lost through de-registered homes. The remodelling, refurbishment and re-use of existing facilities, which can be done quicker and with less reliance on raw materials than a new build development, is considered by The Care Home Group to be a practical solution to this problem.

A key impediment for many care homes in terms of occupancy levels (and therefore profitability) are the estimated 250,000 non en-suite bedrooms currently in the market, which will require c. £15bn to upgrade to modern, wet-room status.

Many of these are in older, traditional homes managed by smaller operators who are finding it increasingly difficult to invest in any comprehensive refurbishment or upgrade works as their rooms become less desirable for residents and occupancy levels fall. Many of these homes are closing, and the large number of obsolete units in the market points to a high availability of stock for refurbishment in the future.

Over 400 care homes are currently advertised for sale on carehome.co.uk, an estimated capacity of 7,000+ beds with c.£14m of stock available in the south west. The Care Home Group has resources internally to research, monitor and assess available stock on an ongoing basis.

A well-performing self-funded market

Elderly care in the UK has effectively become a two-tier system in recent years, with a growing gulf between the performance of operators catering for privately funded residents and those reliant on local authority funding.

The sector is frequently under the national media

Figure 1: UK care bed demand and supply

Bed supply v Population of over 65s

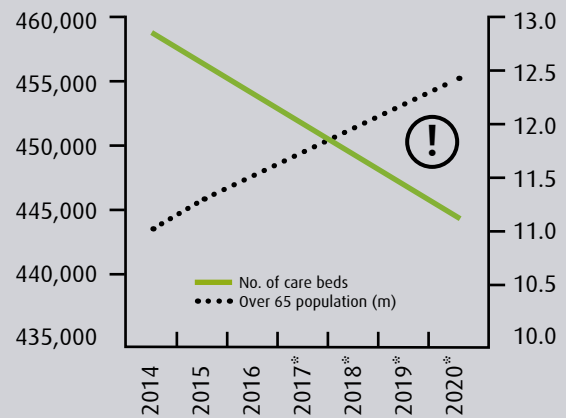
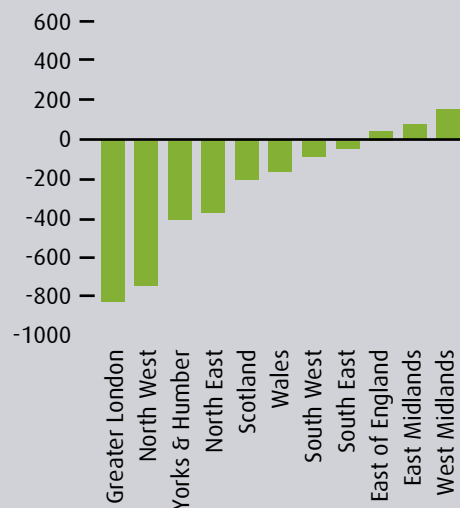


Figure 2: Net loss/gain of beds across UK regions

October 2015 - September 2016



Sources: Knight Frank, Experian, LaingBuisson (2015). * projected figures.

spotlight – with coverage mainly focused on the struggles of those operators that cater mainly for residents funded by their local authority, where a reduction in real terms in the funding available for their care is making it very hard to run a viable business.

This means that many poor performing/state funded homes are closing down, increasing demand for accommodation, and stock available for refurbishment.

At the same time, homes which concentrate on privately funded residents – mainly in more affluent areas of the UK such as the south-east and south-west of England, where around half of all residents are self-funding – are performing well.



Research by Knight Frank (2015) identified over a third of care homes assessed generating EBITDARM as a percentage of income in excess of 30%, with 9% generating profit margins of 40% or more (in contrast, poorly performing homes were generating EBITDARM of less than 10%).

A number of providers already operate successfully in this sector of the market both regionally and nationally, with high occupancy and profit levels, offering care suite accommodation for sale/lease to residents

Spending power of today's retirees

More than a third of property wealth in the UK is now owned by households where at least one occupant is 65 or older, and nearly one in 10 of 55- to 64-year-olds live in households with net property wealth of £500,000 or more; the highest of any age group.

Over 77% of 65 to 74 year olds are home owners (compared to 26% of 25- to 34-year olds). Today, the 'grey pound' accounts for some 76 per cent of the UK's financial wealth, with a willingness to spend and a life expectancy significantly greater than previous generations (and arguably, in terms of home ownership at least, than the generation to follow).

This age group contributes £300 billion to UK economy and the growth in its spending (4.4%) is higher than in any other. The majority are property owners, who have paid off their mortgage, have largely weathered the downturn much better than younger generations. Those in retirement may have modest incomes, but they have relatively high assets, which tends to translate into higher feelings of prosperity.



Projected 106% growth in UK over 85 population by 2030 (Source: ONS)

When the time comes for individuals and couples within this demographic to consider residential care it is clear that the traditional, institutional care home that their own parents may have occupied simply won't meet their expectations – and they have the assets to fund higher levels of care than that provided by the state.

Through its sale to residents of 5-star luxury care accommodation, and premier levels of service and care generating high weekly fees, The Care Home Group's homes are targeted at the affluent, self-funding market.

Sources: ONS, Experian, AgeUK, Alzheimer's Society, Royal Geographic Society, Knight Frank, British Property Foundation, LaingBuisson, Somerset County Council

Developments

carlauren
developments uk

Typically, developments are traditional Victorian period properties that have retained many of their original features and generous proportions, and have operated as care homes for many years. With a plentiful supply of dilapidated stock in the market at present properties are acquired vacant. Carlauren Developments undertakes extensive survey and feasibility work to ensure each property is of sound overall construction and suitable for redevelopment and internal remodelling, typically offering 15-30 en-suite care studios. Properties are acquired in areas where market research and demographic data shows a high retired, affluent population.

Using a retained team of award-winning architecture, engineering and interior design consultants with many years' experience in both the care and residential markets Carlauren then renovates the property to a 5-star luxury standard - typically within a 4-6 month timescale - and relaunches it as a re-branded luxury 'caring community' for fee-paying residents.

The refurbishment of well-built and vacant existing properties enables Carlauren to get each property back on an operational footing and fee-generating in a fraction of the time of a new build development, usually without lengthy planning applications.

Where appropriate and commercially viable, additional new build facilities may be developed at the location (subject to planning approval), usually as a further phase of the development once operational.

Each property is acquired by a wholly-owned subsidiary of The Care Home Group (each being an SPV) with care and support services then provided by the company's care services business Caring Communities, which ensures each development achieves full compliance with Care Quality Commission (CQC) and Gold Standards Framework reporting and the requirements of the Health & Social Care Act.

Marketing strategies are developed for each care community to build awareness, interest and demand



Images above: Caring Communities Hurst Manor (top) and Latimer Lodge, Caring Communities Yeovil - two of the company's completed developments.



in the new facility among its target regional demographic. This includes PR support from the leading agency in the sector as well as dedicated websites, SEO, online, regional TV and radio advertising and social media / community engagement. Relationships are also built with local solicitors and GPs who are influencers and advisors to the target demographic on their choices in later life.

Retirees interested in living in one of the Company's 'Care Communities' have the option of either renting their care studio under a standard Tenancy Agreement or purchasing it under a 125-year lease for an up-front price rather than paying the monthly rent. Short-term (respite) stays are also available. Other fees are also payable (service charge, restaurant services and the provision of personal/nursing care).

Step-by-step development process

Step 1: Due Diligence

The company identifies suitable properties in affluent towns and regions in the South/South-West of England. The company undertakes constant monitoring of the care market and the availability of suitable properties and ensures that full commercial, technical and financial due diligence takes place on all potential properties.

Step 2: Purchase

Following a satisfactory outcome of due diligence, and provided sufficient funds are available, investment monies are used to acquire the property.

Step 3: Development

The properties are renovated into 5-star luxury care accommodation using permitted development rights where possible or the equivalent full planning requirements. The potential for extension works to existing properties and/or the construction of new build facilities to increase the number of care studios is always explored.

Step 4: Operation, sales and lettings

Upon completion of works the property is registered (or re-registered, as appropriate) with the Care Quality Commission (CQC) for the provision of residential, nursing and domiciliary care services. Comprehensive regional marketing and sales campaigns are then launched to secure sales and lettings on individual care studios and achieve/maintain target occupancy levels.

Income generation

The Company's income is derived from:

1. The freehold purchase of care studios to residents seeking high quality care accommodation in a luxury environment, with excellent standards of care and support;

2. The fees generated from providing premium quality care, service and accommodation to residents of its home;
3. The fees generated from short-term (respite) stays where clients receive the same premium quality care, service and accommodation as permanent residents, for a defined period.
4. The increase in the value of land and property following redevelopment (and potential extension).

Current developments

A summary of some of the Group's current developments (Oct'17). Investment brochures are available on request.



Caring Communities Yeovil

Yeovil Care Community has seen the comprehensive redevelopment and fit-out of the former Latimer Lodge residential care home at Preston Road, Yeovil which opened in January 2017 with 13 luxury care studios. Phase 2 of the project has involved the extensive remodelling of the adjacent Tyndale House to create a state-of-the-art home specialising in dementia care for 18 residents, due for completion in September 2017. A fully-occupied 14 unit assisted living complex, Coverdale Court, also sits on the 1.8-acre site.



Caring Communities Hurst Manor, Martock

Hurst Manor is situated in the much sought after and well-regarded village of Martock, Somerset. This impressive Georgian Grade II-listed former care home offers accommodation for 36 residents over two floors within the substantial existing building and two award-winning extension wings. The property is now undergoing a luxury refit to deliver 30+ en-suite care studios for residential, end of life and dementia care, with the potential for further future expansion of the care community at this site.



Caring Communities Rosewell, High Littleton

Occupying an elevated site with far-reaching views across rural Somerset countryside, Rosewell is a former 81-bed nursing home which is now being transformed into a 52-bed luxury community. Significant internal remodelling and refurbishment will convert existing bedrooms into luxury studios with en-suite and kitchenette facilities. The new home will boast a number of elegant communal areas for fine dining, relaxation and socialising, with the opportunity for a wide range of outdoor activities.

* opening dates shown are indicative only and may change subject to design, planning, construction and operational factors



Caring Communities Shanklin, Isle of Wight

Occupying an ideal location in the popular seaside resort of Shanklin, Isle of Wight, our property will provide 26 spacious single and double en-suite bedrooms (10 with balconies and scenic views), and a number of elegant communal areas for fine dining, relaxation and socialising, with the beautiful Shanklin beach and Old Village only a short walk away. The property will retain its existing C1 hotel classification for planning purposes, and offer accommodation with care services on hand to residents, if required.



Caring Communities Millpond View, Hayle, Cornwall

Facing a picturesque millpond and a short distance from the beautiful estuary that flows into St Ives Bay in west Cornwall, our property is a former care home in need of complete refurbishment, but retaining many of its original Victorian features and grandeur. During 2017-18 we will create the premier residential and nursing care facility in the region offering excellent standards of accommodation, care and support for 23 residents - with all the natural beauty that Cornwall has to offer on its doorstep.



Caring Communities Park Avenue, Hartlepool

Occupying the corner plot of an imposing, Grade II listed Victorian terrace within an affluent residential area, and facing the picturesque and leafy Ward Jackson Park, our home retains many of its original features, with an elegant Italianate front facade and a purpose-built extension to the rear. The refurbished home will offer 27 care studios and a number of elegant ground floor communal areas for fine dining, relaxation and socialising, with original wood panelling and ornate ceilings.



Caring Communities Sandown, Isle of Wight

Situated in the heart of Sandown, and overlooking its Esplanade, Pier and beautiful sandy beach, the property is one of the Isle of Wight's most notable hotels. At the end of the 2017 summer season, The Care Home Group will undertake refurbishment and remodeling works to provide luxury seafront accommodation, with care packages on offer tailored to individual needs. The property will boast a number of elegant communal areas for fine dining, relaxation and socialising (with capacity for 100+ guests).

Investing with us:

Care studio purchase and rental income

Investors can purchase the leaseholds of individual care studios within our development portfolio at a 30% discount on their full market price.

On completion, investors can choose one of three ways to receive their income:

Option 1: Investor as Landlord

Receive rental income based on the studio's market rate, with a developer's cash-back¹ on completion to cover the period of refurbishment works. Income will then be paid when the studio is occupied.²

Option 2: Managed Service³

Receive a 10% fixed monthly income by using a lease management company, such as our preferred supplier Care Home Freehold Ltd (www.carehomefreehold.co.uk). This will safeguard income regardless of whether the bedroom is occupied or not. The same developer's cash-back is paid during refurbishment works, and the managing agent will charge a one-off fee of 25% of the total annual rent to cover legal, admin and maintenance fees.⁴

Option 3: Self Occupancy⁵

An investor may choose to pay the full market price for the studio, either for their own use or for a family member (T&Cs and eligibility criteria apply).

Investors can choose to swap between these options at any time^{3,4} (T&Cs apply).

¹ Developer's cash-back will be 3% of the investor purchase price (e.g. £2698.50 on a purchase price of £89,950);

² This option offers the highest ROI but is dependent on the studio being permanently occupied;

³ Investor can terminate their contract with the managing agent by giving six months' notice. If termination happens within the first 12 months of contract, a penalty fee of 25% of the annual rent will be charged;

⁴ This one-off fee (+ VAT) will be paid to the managing agent out of your developer's cash-back;

⁵ An investor switching from Option 1 or 2 to Option 3 will pay the difference between their discounted purchase price and full market price of the studio.



Investing with us: A simple three-step process

1.

Purchase a specialist care studio

- Investor-discounted prices from £89,950
- Reserve for £2,000 per care studio
- Closing fees held with UK lawyers until completion (within 6-8 weeks of reservation)

2.

Sit back and enjoy a hassle-free investment

- Receive rental income from the occupied care studio, paid monthly into your chosen bank account...
- ...or choose a managed service provider to manage your studio and ensure a regular monthly return
- All studios are within 5-star luxury care facilities operated by an experienced CQC-regulated care business

&

3.

Enjoy continuing returns through retail buy-back

- 10% premium if a resident chooses to buy your studio
- Guaranteed 110% buy-back in Year 5 and 125% in Year 10
- The opportunity to purchase further care studios within our development portfolio, ensuring a continuing ROI

Revenue examples

Option 1: Investor as Landlord

Receive rental income based on room occupancy

ROI: up to 14%¹

You purchase a room at a 30% discount for:

£89,950



You receive an annual rental income of up to¹:

£12,850

(and receive your rental income based on its full market price of **£128,500**)

(Monthly payment = **£1070.33**)
Including a developer's cash-back of **£2698.50** on purchase completion

¹ Risk warning: income figures are based on full 12-month occupancy of the studio. Returns may fluctuate depending on actual occupancy levels, particularly in the facility's first months of operation.

² Quarterly payments available on request

Option 2: Managed Service

Receive a fixed monthly income via lease management company

ROI: 10% fixed

You purchase a room at a 30% discount for:

£89,950



£8,950

We pay the lease manager a one-off fee of **£2248.75** (+ VAT) on your behalf from your developer's cash-back (total payable = **£2698.50**)

(Monthly payment = **£745.83**)^{2,3}
Including a developer's cash-back of **£2698.50** on purchase completion

Your contract with the managing agent can be terminated at any time by giving six-months' notice. An early termination fee will be payable within the first 12 months of the contract.

² Quarterly payments available on request

³ All payments are made in £GBP

Investor FAQs

Q. Why should I invest in the UK care sector?

A. With the number of elderly people with high care needs expected to increase significantly over the next 20 years, there is growing demand for modern, fit-for-purpose care homes, funded by private investment. Between 2012-32 the population of over 85s (the primary users of care homes) is expected to increase by 106%, and the number of older people with care needs is expected to increase by 60%.

Q. How is the sector performing at present?

A. Homes which cater for privately funded residents, mainly in more affluent areas of the UK such as the south-east and south-west of England (where around half of all residents are self-funding) are performing well. Research by Knight Frank² identified over a third of care homes assessed generating EBITDARM as a percentage of income in excess of 30%, with 9% generating profit margins of 40% or more. In contrast, poorly performing homes - generally more reliant on local authority funding which has reduced in real terms in recent years - are generating EBITDARM of 10-15%.

Q. Why should I invest in refurbished traditional properties rather than new build?

A. Typically, our projects are traditional Victorian period properties that have retained many of their original features and generous proportions, and have operated as care homes for many years. We renovate them to a 5-star luxury standard - typically within a 4-6 month timescale - and relaunch them as luxury homes for fee-paying residents who then buy or lease their care studio, care and support from us.

As we are refurbishing well-built, vacant properties we are able to get them back on an operational footing and fee-generating in a fraction of the time of a new build development, usually without lengthy planning applications. There are an estimated 80,000 units in current care home stock that are reaching obsolescence, so refurbishment opportunities are plentiful.

Q. How does the investment work?

A. You purchase the 125-year leasehold of a care studio within our care home portfolio, at a discount on its full market price, and receive rental income either from the studio when it is occupied by a resident (Option 1), or via a 3rd party lease management company (Option 2), the latter is the preferred route for most investors.

Q. What happens while the property is being refurbished - how do I receive my income?

A. On legal completion of your purchase you will receive a 3% cash-back from the developer (this will be 3% of the discounted purchase price you have paid). This will cover a period during which the property is being refurbished (refurbishment programmes will vary in length). If you

choose to use a managing agent then your monthly income is paid regardless of room occupancy and refurbishment work programme.

Q. When is the 3% developer's cash-back paid?

A. The 3% is paid on legal completion of your purchase, and is calculated as 3% of your purchase price.

Q. If I use the lease management agent (Option 2), when is the 10% net yield paid?

A. The 10% is paid from legal completion of your purchase.

Q. What currency are payments made in?

A. All payments are made in £GBP and non-£GBP accounts will incur currency conversion fees. All payments to non-UK accounts will also incur a £15 fee, which will be accounted for in the amount paid. You should consider setting up a UK bank account to avoid these charges.

Q. Can I change my bank details at a later date?

A. Yes, a £75 admin charge will be payable

Q. How and when do I pay the management fee to Care Home Freehold Ltd?

A. The 25% management fee (+ VAT) is paid on legal completion and the start of your contract with Care Home Freehold. We will make this payment on your behalf using your developer's cash-back.

Q. What does the management fee to Care Home Freehold Ltd cover?

A. This fee covers the legal fees for the contract between Care Home Freehold Ltd and yourself, along with the registration of those documents with Land Registry.

Q. What if I chose a managed service and now want to change to renting directly to the occupier?

A. As you are the full legal owner of the studio, you may issue a six-month notice to the managed service provider at which point you are free to rent your studio to the occupier.

Q. What happens if my care studio is unoccupied?

A. If you choose to receive your rental income direct from the resident, then you only receive income while the room is occupied. However, as you may have noted when making your investment decision, the income from a care studio resident is far more than you would expect from a traditional buy-to-let property. If you would prefer the security of a regular 12-month income you can choose to use a managed service whereby monthly income is assured - however this will be at a lower ROI (typically 10%).

Q. How do your fees compare with other providers?

A. Our homes are clearly pitched at residents who have the finances to self-fund their care and are seeking 5-star accommodation, service and care. We monitor fees at other homes in our regions of operation to ensure that we are competitively priced within the upper quartile of fees in that region. Within the county of Somerset, for example, the average fees for high quality care accommodation are around £1,100 per week, with our fees set at a similar level and vary depending on the size of room and care required.

Q. Who will operate the homes?

A. Care and support in our homes is provided by Caring Communities Ltd, a wholly owned division of The Care Home Group which is registered as a provider with the Care Quality Commission (ID: 1-2823659286).

Q. Who, or what, is the Care Quality Commission?

A. The Care Quality Commission (or 'CQC' as it is often referred to) is the independent regulator of health and social care in England. It makes sure that health and social care services provide people with safe, effective, compassionate, high-quality care. It also monitors, inspects and regulates service providers to make sure they meet fundamental standards of quality and safety. All care providers are required to register with the CQC before they can provide care services to members of the public. It is an offence not to. To grant registration, the CQC must be satisfied about the provider's fitness and compliance with the requirements of relevant regulations and enactments, such as the Health and Social Care Act 2008 and its associated regulations. Otherwise it must refuse the application.

Caring Communities Ltd - and its first operational home at Latimer Lodge, Yeovil - was successfully registered with the CQC in December 2016 (certification is available on request).

Following registration, a provider's operational facilities can expect to be inspected within its first year of operation, after which the location will be graded at 'Outstanding', 'Good', 'Requires Improvement' or 'Inadequate'. We anticipate an inspection of Latimer Lodge to take place before December 2017 and will inform investors of its rating in our newsletters.

Q. How will you recruit and retain staff at your homes?

A. We will adopt a values-based approach to recruitment, which means we will find and keep people with the right values, behaviours and attitudes to work in adult social care and know what it means to provide high quality care. We will offer all staff a career pathway which will enable them to gain promotion through QCF qualifications, as well as ongoing training and development programmes.

Q. What happens if you go bust?

A. You own the 125-year lease and full legal title to your care studio and that would still be the case if The Care Home Group no longer existed. The most extreme outcome would be for new owners to appoint a new management company to operate the home or sell it to another care home operator. The more likely scenario is that The Care Home Group would

appoint another manager to run the home. The freehold of each home is owned by one 'land' company and operated by a separate 'operating' company so our company structure gives lots of inbuilt protection.

Q. What happens to the money I invest?

A. The money you invest with us will contribute towards the cost of property acquisitions and refurbishments, and maintain the premium standards of care and support we deliver to residents of our homes when operational.

Q. Can I visit your site(s) before I invest?

A. Of course. If you like to make a visit please speak with our team on 0800 022 6000.

Q. What happens if/when my care studio is sold to a residential buyer?

A. You receive a 10% return on your initial investment. You can then choose to reinvest in further care studios within our portfolio, at a discounted price, and enjoy continuing retail sale returns. Investors are free to sell their care studio themselves at any time after exchange of contracts.

Q. How are care studios sold to residents? Why would they buy a care studio?

A. Our residents have the option of either renting their care studio under a standard Tenancy Agreement or purchasing it under a 125-year lease for an up-front price rather than paying a monthly rent. Under the current means-testing system in England, if a person has savings and assets worth more than £23,250 they will need to pay the full cost of their personal care, including accommodation costs.

This is called self-funding. For many people, this will mean using their assets, savings and perhaps selling their current home to fund their care. Using some of those savings, or the equity released from the sale of property, for the purchase of a care studio with us means that a resident can enjoy around-the-clock care in the privacy and comfort of their own care studio home, and still have a property asset to pass on when they're gone. We offer a guaranteed 'buy-back' of the care studio when it is permanently vacated.

We strongly advise all our residents to take independent financial advice from qualified advisors, such as members of the Society of Later Life Advisors before they decide whether to buy or rent with us.

If you have any other questions on our investments, current developments or availability, please contact your agent, or our sales team on 0800 022 6000.



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