Company Registration No. 08625687 (England and Wales)

HENLEY CARE MANAGEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

HENLEY CARE MANAGEMENT LIMITED

COMPANY INFORMATION

Directors	A Rubinstein L Golani
Company number	08625687
Registered office	The Boynes Upper Hook Road Upton on Severn Worcestershire WR8 0SB
Auditor	Harold Everett Wreford LLP 2nd floor 38 Warren Street London W1T 6AE

HENLEY CARE MANAGEMENT LIMITED

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HENLEY CARE MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business
We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Despite the challenging market conditions, particularly in relation to the impact of Covid-19, the group has delivered satisfactory results in the year. In this environment, the group focussed on maintaining the safety of the residents, while flexing staffing levels to required levels, with particular reference to reducing agency staffing levels.

The company owns and operates Acacia Lodge Care Home in Henley-on-Thames. Henley is one of the most affluent towns in Britain, reflecting high disposable incomes and high property values. The town has a popular character setting, built along the River Thames with the Chiltern Hills to the north. Road connections are excellent with the M4 and M40 each within 10 miles and the M25 approximately 20 miles east. Train connections are also good with Henley-on-Thames Station being 400 metres from the home.

Acacia Lodge has 55 rooms and it provides residential, nursing and dementia care. Bedrooms are well sized being some 13-16 sq. m with en-suite wet rooms each.

The directors believe that due to the location of the home, the company should be able to maintain its competitive position, as long as all the right resources are available in terms of management, control and capital expenditure.

Revenue
Fee income for the year ended 31 December 2020 has remained the same in comparison with prior year.

Covid-19 has impacted occupancy levels in 2020 through to the first two months of 2021. As Covid-19 vaccines are provided to care home residents on a priority basis through 2021 we expect occupancy levels to strongly recover.

Profitability
Profitability fell slightly during 2020. Covid-19 adversely impacted occupancy levels. Staffing levels have been adjusted to the lower occupancy where needed but ratios have been kept at a higher level than in 2019 in order to provide safe care with an increased focus on infection control. Government initiatives in 2020 provided financial support for these increased costs, but overall profitability fell at both a gross profit net profit level. Gross profit has decreased from 50.0% in 2019 to 44.5% in 2020.

With the intervention of the Covid-19 vaccines we expect profitability levels to recover towards the latter half of 2021.

Principal risks and uncertainties
Regulatory risk
With increasing demands from the regulators and government, the challenge is to continue to provide a high quality service while maintaining the profit margins.

Staff risk
The industry faces shortage of high quality registered nurses. The company's strategy will aim at attracting nurses of the right calibre.

Competition risk
A new competitor (if approved and built) in Henley-on-Thames will compete on both residents and staff.

Financial results
The numbers for the year 31 December 2020 are as follows:

- Total revenues : £2.99m.
- Cost of employees : £1.65m or 55% of revenue
- EBITDA : £901k indicating a strong EBITDA margin of 30%
- Profit before tax : £226k

At the balance sheet date the company had borrowings of £4.83m from Barclays Bank Plc and £1.74m from its shareholders. Cash at bank totalled £0.64m.

Key performance indicators
We consider that our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole. The key performance measures that the directors' use to monitor the progress of the company's objectives are:

Occupancy levels - These have reduced overall through 2020 and into the start of 2021. Occupancy levels are expected to improve and recover due to the impact of the new vaccines against Covid-19 and the easing of the lockdown.

Fee levels - These have not increased at levels expected pre Covid-19. Our expectation is for fee levels to improve through 2021.

Gross profit - Gross profit has decreased from 38.7% in 2019 to 37.5% in 2020.

Strategy
The company's principal strategy is to continue operating Acacia Lodge successfully. The 2020 results and profit margins indicate the high-end of the care home industry, thus making it difficult to forecast significant improvement in the financial results in the coming years. Our main goal is to maintain the high quality of care services provided to the residents at a time of rising regulatory demands and operational costs. We hope to be able to keep raising the average weekly fees, to cover for the expected rise in the minimum living wages.

We plan to continue to invest in the home in order to keep its state of the art status. We introduced free WiFi to all residents and enabled computerised individual care plans to be updated by hand-held devices. We now look at ways to further improve the entrance to the home.

Outlook

As mentioned above, given the current state of operational risks, we expect to maintain the same level of profitability in the coming years. We expect to cover the inflationary rise in operational costs (primarily wages) by gradually raising the fees while maintaining the high care standards.

With the intervention of the Covid-19 vaccines we expect profitability levels to recover towards the latter half of 2021.

On behalf of the Board we would like to thank the staff whose dedication and hard work have led to the company's impressive performance in 2020.

On behalf of the board

....
A Rubinstein
Director
23/3/21
....

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities
The principal activity of the company continued to be that of providing residential care services.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Rubinstein
L Golani

Results and dividends
The results for the year are set out on page 9.

Ordinary interim dividends were paid amounting to £100,000. The directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions
The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Financial instruments
The company has a normal level of exposure to price, credit, liquidity and cash flow risks arising from trading activities which are largely conducted in sterling. The Company does not enter into any formally designated hedging arrangements. For further details on financial instruments refer to note 14.

Auditor
The auditor, Harold Everett Wreford LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going concern
Having reviewed the company's financial forecasts and expected future cashflows, the directors have a reasonable expectation that the company has both continued support from the parent company and adequate resources to continue in operational existence for the foreseeable future. Thus they have adopted the going concern basis in preparing the financial statements for the period ended 31 December 2020.

On behalf of the board

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A Rubinstein
Director

Date: 23/3/21

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HENLEY CARE MANAGEMENT LIMITED

Opinion

We have audited the financial statements of Henley Care Management Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

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

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

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- Enquiry of management, those charged with governance around actual and potential litigation and claims;
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- Reviewing financial statements disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Performing audit work over the risk of management override on controls, including testing of journal entries and other adjustments for appropriateness and reviewing accounting estimates for bias.
- We performed analytical procedures to identify any unusual or unexpected relationships.
- Reading the minutes of meetings of those charged with governance.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

D J Scott (Senior Statutory Auditor)
for and on behalf of Harold Everett Wreford LLP

23 March 2021

Chartered Accountants
Statutory Auditor

2nd floor
38 Warren Street
London
W1T 6AE

HENLEY CARE MANAGEMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	2,999,685	2,995,590
Cost of sales		(1,663,685)	(1,495,840)
Gross profit		1,336,000	1,499,750
Administrative expenses		(891,222)	(924,348)
Other operating income		81,807	-
Operating profit	4	526,585	575,402
Interest receivable and similar income	8	153	1,655
Interest payable and similar expenses	9	(300,408)	(393,215)
Profit before taxation		226,330	183,842
Tax on profit	10	(51,282)	(44,109)
Profit for the financial year		175,048	139,733

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

HENLEY CARE MANAGEMENT LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Goodwill	12		729,167		979,167
Tangible assets	13		6,030,686		6,116,105
			6,759,853		7,095,272
Current assets					
Debtors	15	164,975		110,699	
Cash at bank and in hand		644,171		189,745	
		809,146		300,444	
Creditors: amounts falling due within one year	16	(841,906)		(675,655)	
Net current liabilities			(32,760)		(375,211)
Total assets less current liabilities			6,727,093		6,720,061
Creditors: amounts falling due after more than one year	17		(6,245,081)		(6,338,375)
Provisions for liabilities	19		(242,511)		(217,233)
Net assets			239,501		164,453
Capital and reserves					
Called up share capital	22		10		10
Profit and loss reserves			239,491		164,443
Total equity			239,501		164,453

The financial statements were approved by the board of directors and authorised for issue on 23 MAR 2021 and are signed on its behalf by:

A. Rubinstein

A Rubinstein
Director

Company Registration No. 08625687

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2019		10	524,710	524,720
Year ended 31 December 2019:				
Profit and total comprehensive income for the year		-	139,733	139,733
Dividends	11	-	(500,000)	(500,000)
Balance at 31 December 2019		10	164,443	164,453
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	175,048	175,048
Dividends	11	-	(100,000)	(100,000)
Balance at 31 December 2020		10	239,491	239,501

HENLEY CARE MANAGEMENT LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Cash flows from operating activities					
Cash generated from operations	**27**		988,019		955,190
Interest paid			(276,911)		(373,634)
Income taxes paid			(314)		(1,187)
Net cash inflow from operating activities			710,794		580,369
Investing activities					
Purchase of tangible fixed assets		(39,730)		(8,897)	
Interest received		153		1,655	
Net cash used in investing activities			(39,577)		(7,242)
Financing activities					
Repayment of borrowings		99,028		(1,548,341)	
Capitalised financing fees		49,181		(163,428)	
Repayment of bank loans		(265,000)		450,601	
Dividends paid		(100,000)		(500,000)	
Net cash used in financing activities			(216,791)		(1,761,168)
Net increase/(decrease) in cash and cash equivalents			454,426		(1,188,041)
Cash and cash equivalents at beginning of year			189,745		1,377,786
Cash and cash equivalents at end of year			644,171		189,745

1 Accounting policies

Company information

Henley Care Management Limited is a private company limited by shares domiciled and incorporated in England and Wales. The registered office is The Boynes, Upper Hook Road, Upton on Severn, Worcestershire, WR8 0SB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The financial statements have been prepared on a going concern basis, the validity of which is dependent on the continued financial support of the company's bankers, creditors and the parent company. The financial statements do not include any adjustments that would result from discontinuance of their financial support. On this basis, the directors consider that it is appropriate for the financial statements to be prepared on a going concern basis.

1.3 Turnover

Turnover represents fees receivable on contracts for the provision of residential care. Revenue is recognised on a daily basis as the service is provided.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	2% on a straight line basis
Fixtures, fittings & equipment	10% on a straight line basis
Motor vehicles	25% reducing balance basis

1 Accounting policies **(Continued)**

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.7 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

1 Accounting policies **(Continued)**

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

1 Accounting policies **(Continued)**

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1 Accounting policies **(Continued)**

1.13 Government grants

Government grants are recognised at their fair value as other operating income in the statement of comprehensive income to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The company has been awarded infection control grants during the year to date, and expects to receive further grants to cover the period to March 2021. The grants are to be used for specific infection control measures through to March 2021. The Directors feel the guidance as provided by the Government and the Local Authorities lacks clarity. While the Directors feel the company is adhering to the guidelines there is still uncertainty if the spend identified by the company is in line with Government guidelines. Due to the this uncertainty the company is retaining a provision of circa 33% of the total grant received to cover potential clawbacks, and future infection control initiatives to 31 March 2021.

Accounting for Government Grants and Disclosure of Government Assistance

FRS 102 paragraph 24.5D states that Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.'

However, the local authorities require all care homes to submit claims and evidence of additional costs incurred in order to prevent the spread of virus due to Covid-19. Care has been taken to align the assistance received with the requirements of the local authorities providing the economic assistance (i.e. cash received for infection measures should not be used against any other costs unless specifically permitted to do so).

Government grants are recognised when there is reasonable assurance that the grant conditions have been achieved or met and the grants will be received.

Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

The income is recognised within profit or loss as the conditions are complied with. The fair value of the infection control grant is recognised as income upon receipt of the grant and on a time apportioned basis.

Our staff are following government guidance on self-isolating if they, or a family member they are living with, is symptomatic or confirmed with COVID-19. We are also following strict infection control measures in all our care homes.

2 Judgements and key sources of estimation uncertainty

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

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

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

(i) Provisions

The Company has recognised provisions for impairment of trade receivables, employee bonuses, holiday pay provisions, corporation tax and deferred tax in its financial statements which requires management to make judgements. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

(ii) Valuation of Goodwill and other intangible assets

The value of the Company's goodwill and other intangible assets is dependent upon the success of the Company in exploiting its current business base. The estimation of future revenue flows relating to these assets is uncertain and will also be affected by completion and potential new regulatory legislation and related requirements.

(iii) Impact of Covid-19

The Covid-19 outbreak has had a significant impact on the Company's business during 2020. The Covid-19 outbreak developed very rapidly during the first half of 2020 but the situation stabilised with occupancy slowly improving from the third week of May.

During 2020 the Company focused on managing the impact on residents, staff, the supply chain and costs control.

The main drivers affecting results of operations are:

- the number of beds and the occupancy rates in each of the care homes;
- the level of fee increases achievable for Local Authority and the NHS rates as well as self-funded residents
- the level of operating expenses, particularly staff costs, the impact of lower occupancy and the rise in the National Living Wage as of 1st April 2020.

From the middle of April 2020, the Covid-19 outbreak had a significant negative effect on the Company's results for the current year. Occupancy rates fell more than anticipated during April and May but stabilised from June and improved through the third quarter and stabilised again in the fourth quarter due to normal seasonality factors. In January 2021 the Company suffered from a second wave of Covid outbreak but at present we do not have any positive cases at the homes.

While residents have been vaccinated, it is still difficult to predict the impact in subsequent quarters, as potential residents delay moves into care homes because of understandable concerns at this time. The fall in occupancy rates has been partly offset by the receipt of top up funds from Local Authorities and NHS bodies while the cost of wages and salaries have reduced due to cost saving efforts.

3 Turnover and other revenue

	2020	2019
	£	£
Turnover analysed by class of business		
Residential care services	2,999,685	2,995,590

3 Turnover and other revenue **(Continued)**

	2020	2019
	£	£
Other significant revenue		
Interest income	153	1,655
Grants received	81,807	-

	2020	2019
	£	£
Turnover analysed by geographical market		
United Kingdom	2,999,685	2,995,590

The infection control grant is recognised in the statement of comprehensive income as other operating income.

4 Operating profit

	2020	2019
Operating profit for the year is stated after charging/(crediting):	£	£
Government grants	(81,807)	-
Depreciation of owned tangible fixed assets	125,149	121,629
Amortisation of intangible assets	250,000	250,000

5 Auditor's remuneration

	2020	2019
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	8,400	8,400

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020	2019
	Number	Number
Care staff	96	79
Management	1	1
	97	80

6 Employees **(Continued)**

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	1,504,860	1,416,573
Social security costs	118,171	111,170
Pension costs	26,961	22,258
	1,649,992	1,550,001

7 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	79,721	132,534

8 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Interest on bank deposits	153	1,655

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	153	1,655

9 Interest payable and similar expenses

	2020	2019
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	177,882	233,975
Bank interest rebate	-	(52,000)
Interest payable to group undertakings	99,029	191,659
	276,911	373,634
Other finance costs:		
Finance costs amortised	23,497	19,581
	300,408	393,215

10 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	26,004	1,188
Deferred tax		
Origination and reversal of timing differences	25,278	42,921
Total tax charge	51,282	44,109

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£	£
Profit before taxation	226,330	183,842
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	43,003	34,930
Tax effect of utilisation of tax losses not previously recognised	(9,521)	(29,654)
Under/(over) provided in prior years	314	1,188
Depreciation add back	23,778	23,109
Capital Allowances	(28,095)	(28,385)
Under provision current year	(3,475)	-
Deferred tax	25,278	42,921
Taxation charge for the year	51,282	44,109

11 Dividends

	2020	2019
	£	£
Interim paid	100,000	500,000

12 Intangible fixed assets

	Goodwill
	£
Cost	
At 1 January 2020 and 31 December 2020	2,500,000
Amortisation and impairment	
At 1 January 2020	1,520,833
Amortisation charged for the year	250,000
At 31 December 2020	1,770,833
Carrying amount	
At 31 December 2020	729,167
At 31 December 2019	979,167

13 Tangible fixed assets

	Freehold buildings	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2020	6,523,790	293,477	22,794	6,840,061
Additions	-	39,730	-	39,730
At 31 December 2020	6,523,790	333,207	22,794	6,879,791
Depreciation and impairment				
At 1 January 2020	550,393	156,177	17,386	723,956
Depreciation charged in the year	90,476	33,321	1,352	125,149
At 31 December 2020	640,869	189,498	18,738	849,105
Carrying amount				
At 31 December 2020	5,882,921	143,709	4,056	6,030,686
At 31 December 2019	5,973,397	137,300	5,408	6,116,105

14 Financial instruments

	2020	2019
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	149,385	90,551
Carrying amount of financial liabilities		
Measured at amortised cost	5,284,178	5,336,293

14 Financial instruments **(Continued)**

In common with other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 1.

Substantive changes to the company's exposure to interest-bearing indebtedness are disclosed below. Proceeds from the issue of the company's shares have been utilised to provide working capital and to reduce borrowings within the company. There have been no other substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, or the methods used to measure them from previous periods unless otherwise stated in this note.

General objectives, policies and processes
The Board has overall responsibility for the determination of the company's risk management objectives and policies and, while retaining ultimate responsibility for them, has delegated authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The Board receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk arises principally from the company's trade and other receivables and cash and cash equivalents. It is a risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements.

Liquidity risk

Liquidity risk arises principally from the company's management of working capital and the amount of funding committed to its software and hardware platforms. It is a risk that the company will encounter difficulty in meeting its financial obligations as they fall due.

The company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the company arise in respect of operational and administrative expenditure, trade and other payables and the servicing of interest-bearing debt. The Board receives cash flow projections on a regular basis as well as information on cash balances.

Interest rate risk

The company is exposed to interest rate risk in respect of surplus funds held on deposit. The Board does not currently undertake hedging arrangements.

The fair value of obligations under trade and other payables is equal to the book values.

14 Financial instruments (Continued)

Capital

The company considers its capital to comprise its ordinary share capital and the retained deficit as its capital reserves. In managing its capital, the company's primary objective is to provide a return for its equity shareholders through capital growth. Going forward the company will seek to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the company to meet its working capital needs.

Details of the company capital are disclosed in the statements of changes in equity.

There have been no other significant changes to the company's management objectives, policies and processes in the year nor has there been any change in what the company considers to be capital.

Currency risk

The company is not exposed to any significant currency risk.

15 Debtors

	2020	2019
Amounts falling due within one year:	**£**	**£**
Trade debtors	147,750	89,113
Other debtors	1,635	1,438
Prepayments and accrued income	15,590	20,148
	164,975	110,699

16 Creditors: amounts falling due within one year

		2020	2019
	Notes	**£**	**£**
Bank loans and overdrafts	**18**	265,000	265,000
Trade creditors		186,986	111,759
Corporation tax		25,690	-
Other taxation and social security		32,119	31,765
Other creditors		173,286	141,961
Accruals and deferred income		158,825	125,170
		841,906	675,655

The bank loan is secured by a fixed and floating charge over the freehold property of the company.

17 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	18	4,571,250	4,836,250
Other borrowings	18	1,673,831	1,502,125
		6,245,081	6,338,375

18 Loans and overdrafts

	2020 £	2019 £
Bank loans	4,836,250	5,101,250
Loans from group undertakings	1,745,000	1,645,972
Capitalised finance fees	(71,169)	(143,847)
	6,510,081	6,603,375
Payable within one year	265,000	265,000
Payable after one year	6,245,081	6,338,375

The Barclays Bank loan is secured by a mortgage debenture incorporating a fixed and floating charge over all current and future assets of the company. Freehold land and buildings have been pledged as security for bank loan under a mortgage charge.

The facilities advanced to Henley Care Management Limited comprise a loan of £5.3m for 5 years commencing on 28 February 2019 repayable by quarterly instalments. The loans have been advanced by Barclays Bank Plc.

Henley Care Management Limited has undertaken several financial covenants with the lender in connection with this loan which are tested on a quarterly basis. These comprise of the following:

A. Cash flow cover not to be less than 1.30:1
B. Net leverage not to exceed 5.75:1
C. Loan to Value must not exceed 65% at any time.
D. An aggregate minimum cash balance of £200,000 must be maintained at all times.

At the balance sheet date there were no breaches.

The terms relating to the long term bank loan are as follows:
- The maturity date is 28 February 2024.
- Interest is charged at 3.564% and payable quarterly.
- Each quarterly repayment includes a capital repayment element which is calculated on a notional term of 20 years with the exception of the final repayment, which will be for the outstanding balance as at maturity.

The shareholder loan is repayable on 27 November 2023 and the Company may repay any part of the loan or any part of the interest to the shareholder at any time without penalty. Interest has been charged at the rate of 6% per annum on the loan and interest charged for the year amounted to £99,029.

19 Provisions for liabilities

	Notes	2020 £	2019 £
Deferred tax liabilities	20	242,511	217,233

20 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Balances:	Liabilities 2020 £	Liabilities 2019 £
Accelerated capital allowances	242,511	227,642
Tax losses	-	(10,409)
	242,511	217,233

Movements in the year:	2020 £
Liability at 1 January 2020	217,233
Charge to profit or loss	25,278
Liability at 31 December 2020	242,511

The deferred tax liability set out above is expected to reverse in the future and relates to accelerated capital allowances that are expected to mature within the same period.

21 Retirement benefit schemes

Defined contribution schemes	2020 £	2019 £
Charge to profit or loss in respect of defined contribution schemes	26,961	22,258

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

22 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
10 Ordinary shares of £1 each	10	10

23 Controlling party

The immediate parent company is Care Investments UK S.à.r.l. a company registered in Luxembourg. The registered office is 46a Avenue J.F. Kennedy, L-1855, Luxembourg.

As at 31 December 2019, joint ultimate controlling parties were Golden House Limited and Ravad Limited, who own Golden-House-Ravad Care Home England Limited Partnership, the shareholder of Care Investments UK S.à.r.l. Both ultimate controlling parties are incorporated in Israel.

24 Events after the reporting date

In the 3 March 2021 Budget it was announced that the main rate of UK corporation tax will increase from the current 19% to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge. If this rate had been substantially enacted at the current balance sheet date the deferred tax provision would have been increased by £70,270.

In the global market, there is a process of preparing for the cessation of the use of the LIBOR interest rate and the transition to alternative interest rate indices, starting at the end of 2021 ("the expected transition date"). The Company expects that the transition from the LIBOR to a new rate at the date of determination will be based on the last LIBOR interest rate available at that date in such a way that the total alternative interest rate close to the date of determination is expected to be the same as the total rate of LIBOR interest plus the agreed spread immediately prior to the date of determination. Consequently, the impact on the Company is not expected to be material. However, with respect to the period from the date of determination onwards, the Company cannot, at this stage, reasonably estimate the impact on its financial position and / or the results of the Company's operations (if any). As at the date of signature of the financial statements the loan agreements have not yet been updated for this.

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows:

	2020	2019
	£	£
Aggregate compensation	79,721	132,534

No guarantees have been given or received.

Included in creditors due more than one year is a loan from Care Investments UK s.à.r.l. of £1,745,000 (2019: £1,645,972). Interest is charged at 6% per annum, where during the period interest of £99,029 (2019: £191,659) was paid to the parent company.

The Company accrued for management fees amounting to £11,667 to Ravad Limited (2019: £11,667) and £58,333 to Golden house Limited (2019: £58,333) the joint ultimate controlling parties of the immediate parent company.

26 Contingent Liabilities

Some years ago H M Revenue & Customs ('HMRC') opened an enquiry into the tax deductibility of the company's goodwill amortisation. This was not pursued with any vigour by HMRC for some considerable time and the directors concluded therefore that HMRC were close to dropping the case given, in their opinion, it had no merit. Recently HMRC have shown a renewed interest in the matter but the company and its advisers remain confident, based on the information available to date, that their argument is very robust and will withstand any challenge by HMRC. Since the prospect of tax being paid is in the opinion of directors considered to be remote no provision has been made. The case is very complex and it is not therefore possible to estimate reliably how much corporation tax is at issue.

27 Cash generated from operations

	2020	2019
	£	£
Profit for the year after tax	175,048	139,733
Adjustments for:		
Taxation charged	51,282	44,109
Finance costs	300,408	393,215
Investment income	(153)	(1,655)
Amortisation and impairment of intangible assets	250,000	250,000
Depreciation and impairment of tangible fixed assets	125,149	121,629
Movements in working capital:		
(Increase)/decrease in debtors	(54,276)	52,044
Increase/(decrease) in creditors	140,561	(43,885)
Cash generated from operations	988,019	955,190