

Registration number: 09983581

VALORUM CARE GROUP PLC
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JULY 2020



VALORUM CARE GROUP PLC

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VALORUM CARE GROUP PLC

COMPANY INFORMATION

Directors	I B Burgess
	S J Harrison
	J Russell
Registered office	16 Carolina Way Quays Reach Salford M50 2ZY
Auditors	Hazlewoods LLP Windsor House Bayshill Road Cheltenham GL50 3AT

VALORUM CARE GROUP PLC

STRATEGIC REPORT FOR THE YEAR ENDED 30 JULY 2020

The directors present their strategic report for the year ended 30 July 2020.

Principal activity

The principal activity of the company is that of a head office company. The principal activity of the group is the provision of specialist care services.

Fair review of the business

The results for the year which are set out in the profit and loss account show turnover of £43,196,642 (2019 - £15,175,888) and an operating loss of £3,896,431 (2019 - £6,658,353). At 31 July 2020 the Group had net liabilities of £11,409,461 (2019 - £7,362,101). The directors consider the performance for the year and the financial position at the year end to be satisfactory.

On 31 July 2020, the group acquired a number of care homes from Leonard Cheshire Homes (17 homes) and subsequently has capitalised on these additional support packages. The turnover increase associated with these companies is c£25m and is expected to continue in following years.

Principal risks and uncertainties

The Group has clear leadership at director level and has continued to strengthen its management team during the year with several senior appointments being made,

Risks to the business at a strategic and operational level are regularly considered and their impact mitigated. Principal risks and uncertainties are noted as:

Failure to meet safe quality standards - If safety and compliance is not maximised this can result in a care provider being unable to continue providing a service. Rigorous safeguarding and compliance measures have been put in place which are more onerous than those that are required by the CQC to ensure actual standards achieved outweigh the standards required by regulatory bodies.

Failure to meet predicted growth - The Group is seeking to achieve a significant level of growth over the coming years, which is dependent on developing new and existing relationships with key strategic partners. The Group is constantly identifying opportunities to invest in new joint venture care company partners in order that its services can be deployed across a wider base.

Reliance on Fairhome Group Plc - In its initial few years of trading, the Group has been supported by Fairhome Group Plc. As the Group grows, this reliance will no longer be necessary.

The Group's aim is to be the market leader in what it does, and its board is committed to investing in its people and strategic partnerships, both existing and new in order to achieve its goal.

27/4/2021

Approved by the Board on and signed on its behalf by:

Ian Burgess

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I B Burgess
Director

VALORUM CARE GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JULY 2020

The directors present their report and the financial statements for the year ended 30 July 2020.

Directors of the company

The directors who held office during the year were as follows:

I B Burgess

J Russell

P S Green - Company secretary and director (resigned 27 September 2019)

R C Sidebottom (resigned 12 November 2020)

The following director was appointed after the year end:

S J Harrison (appointed 12 November 2020)

Financial instruments

Objectives and policies

The Board constantly monitors the Group's trading results and revise projections as appropriate to ensure that the Group can meet its future obligations as they fall due.

Price risk, credit risk, liquidity risk and cash flow risk

The group is exposed to the usual credit and cash flow risk associated with selling on credit and manages this through credit control procedures.

In accordance with the Financial Reporting Council's 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009', the directors of all companies are now required to provide disclosures regarding the adoption of the going concern basis of accounting.

The Group has sufficient resources available through the provision of long term finance and support from Fairhome Group Plc. The directors have prepared forecasts and coupled with continuous support from Fairhome Group Plc, it is expected that they will be able to continue to meet commitments as they fall due for the next 12 months. The directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements.

Employment of disabled persons

The Group's policy is to consider the recruitment of disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employee involvement

The Group encourages the involvement of employees in its management through regular meetings and feedback exercises.

Future developments

The external environment is expected to remain competitive going forwards, however, the directors remain confident that the Group will continue to improve its current level of performance in the future and will continue to trade as a going concern for the reasons identified in note 1 to the financial statements.

VALORUM CARE GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JULY 2020

Disclosure of information to the auditor

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

27/4/2021

Approved by the Board on and signed on its behalf by:

Ian Burgess

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I B Burgess
Director

VALORUM CARE GROUP PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

VALORUM CARE GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VALORUM CARE GROUP PLC

Opinion

We have audited the financial statements of Valorum Care Group PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 July 2020, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 July 2020 and of the group's loss 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 group 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, it is difficult to evaluate all of the potential implications of the current COVID-19 outbreak on the company's trade, employees, customers, suppliers and the wider economy.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

VALORUM CARE GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VALORUM CARE GROUP PLC

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

VALORUM CARE GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VALORUM CARE GROUP PLC

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.

Martin Howard

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Martin Howard (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Windsor House
Bayshill Road
Cheltenham
GL50 3AT

28/4/2021
Date:.....

VALORUM CARE GROUP PLC**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JULY 2020**

	Note	Year ended 30 July 2020 £	1 August 2018 to 30 July 2019 £
Turnover	3	43,196,642	15,175,888
Cost of sales		<u>(34,565,463)</u>	<u>(12,560,485)</u>
Gross profit		8,631,179	2,615,403
Administrative expenses		(12,558,642)	(9,273,756)
Other operating income		<u>31,032</u>	<u>-</u>
Operating loss	5	(3,896,431)	(6,658,353)
Other interest receivable and similar income	6	973	291
Interest payable and similar charges	7	<u>(261)</u>	<u>(6,417)</u>
Loss before tax		(3,895,719)	(6,664,479)
Taxation	11	<u>(146)</u>	<u>(4,802)</u>
Loss for the financial year		<u><u>(3,895,865)</u></u>	<u><u>(6,669,281)</u></u>
Profit/(loss) attributable to:			
Owners of the company		(4,288,264)	(5,956,186)
Non-controlling interests		<u>392,399</u>	<u>(713,095)</u>
		<u><u>(3,895,865)</u></u>	<u><u>(6,669,281)</u></u>

The above results were derived from continuing operations.

The group has no other comprehensive income for the year.

The notes on pages 15 to 29 form an integral part of these financial statements.

VALORUM CARE GROUP PLC**(REGISTRATION NUMBER: 09983581)
CONSOLIDATED BALANCE SHEET AS AT 30 JULY 2020**

	Note	30 July 2020 £	30 July 2019 £
Fixed assets			
Intangible assets	12	161,998	303,962
Tangible assets	13	<u>1,230,324</u>	<u>823,154</u>
		<u>1,392,322</u>	<u>1,127,116</u>
Current assets			
Debtors	15	8,000,639	2,750,369
Cash at bank and in hand		<u>1,007,071</u>	<u>258,738</u>
		9,007,710	3,009,107
Creditors: Amounts falling due within one year	16	<u>(21,809,493)</u>	<u>(10,729,718)</u>
Net current liabilities		<u>(12,801,783)</u>	<u>(7,720,611)</u>
Total assets less current liabilities		(11,409,461)	(6,593,495)
Creditors: Amounts falling due after more than one year	16	<u>-</u>	<u>(768,606)</u>
Net liabilities		<u>(11,409,461)</u>	<u>(7,362,101)</u>
Capital and reserves			
Called up share capital	19	50,000	50,000
Profit and loss account		<u>(11,676,234)</u>	<u>(7,387,970)</u>
Equity attributable to owners of the company		(11,626,234)	(7,337,970)
Non-controlling interests		<u>216,773</u>	<u>(24,131)</u>
Total equity		<u>(11,409,461)</u>	<u>(7,362,101)</u>

27/4/2021

Approved and authorised by the Board on and signed on its behalf by:

*Ian Burgess*I B Burgess
Director

The notes on pages 15 to 29 form an integral part of these financial statements.

VALORUM CARE GROUP PLC**(REGISTRATION NUMBER: 09983581)
BALANCE SHEET AS AT 30 JULY 2020**

	Note	30 July 2020 £	30 July 2019 £
Fixed assets			
Tangible assets	13	99,966	83,150
Investments	14	<u>700,170</u>	<u>700,170</u>
		<u>800,136</u>	<u>783,320</u>
Current assets			
Debtors	15	7,694,250	2,097,927
Cash at bank and in hand		<u>53,735</u>	<u>4,396</u>
		7,747,985	2,102,323
Creditors: Amounts falling due within one year	16	<u>(17,017,564)</u>	<u>(7,818,884)</u>
Net current liabilities		<u>(9,269,579)</u>	<u>(5,716,561)</u>
Net liabilities		<u>(8,469,443)</u>	<u>(4,933,241)</u>
Capital and reserves			
Called up share capital	19	50,000	50,000
Profit and loss account		<u>(8,519,443)</u>	<u>(4,983,241)</u>
Total equity		<u>(8,469,443)</u>	<u>(4,933,241)</u>

The company made a loss after tax for the financial year of £3,536,202 (2019 - loss of £4,015,667).

27/4/2021

Approved and authorised by the Board on and signed on its behalf by:

Ian Burgess

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I B Burgess
Director

The notes on pages 15 to 29 form an integral part of these financial statements.

VALORUM CARE GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JULY 2020
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY

	Share capital £	Profit and loss account £	Total £	Non- controlling interests £	Total equity £
At 31 July 2019	50,000	(7,387,970)	(7,337,970)	(24,131)	(7,362,101)
(Loss)/profit for the year	-	(4,288,264)	(4,288,264)	392,399	(3,895,865)
Disposal of non controlling interest, decrease / (increase) in equity	-	-	-	(151,495)	(151,495)
At 30 July 2020	<u>50,000</u>	<u>(11,676,234)</u>	<u>(11,626,234)</u>	<u>216,773</u>	<u>(11,409,461)</u>

	Share capital £	Profit and loss account £	Total £	Non- controlling interests £	Total equity £
At 1 August 2018	50,000	(1,431,784)	(1,381,784)	(45,131)	(1,426,915)
Loss for the year	-	(5,956,186)	(5,956,186)	(713,095)	(6,669,281)
Acquisition of non-controlling interest, decrease/ (increase) in equity	-	-	-	734,095	734,095
At 30 July 2019	<u>50,000</u>	<u>(7,387,970)</u>	<u>(7,337,970)</u>	<u>(24,131)</u>	<u>(7,362,101)</u>

The notes on pages 15 to 29 form an integral part of these financial statements.

VALORUM CARE GROUP PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JULY 2020

	Share capital £	Profit and loss account £	Total £
At 31 July 2019	50,000	(4,983,241)	(4,933,241)
Loss for the year	-	(3,536,202)	(3,536,202)
At 30 July 2020	<u>50,000</u>	<u>(8,519,443)</u>	<u>(8,469,443)</u>
	Share capital £	Profit and loss account £	Total £
At 1 August 2018	50,000	(967,574)	(917,574)
Loss for the year	-	(4,015,667)	(4,015,667)
At 30 July 2019	<u>50,000</u>	<u>(4,983,241)</u>	<u>(4,933,241)</u>

The notes on pages 15 to 29 form an integral part of these financial statements.

VALORUM CARE GROUP PLC**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JULY 2020**

	Note	Year ended 30 July 2020 £	Year ended 31 July 2019 £
Cash flows from operating activities			
Loss for the year		(3,895,865)	(6,669,281)
Adjustments to cash flows from non-cash items			
Depreciation, amortisation and profit/loss on disposal of tangible assets	5	436,129	1,111,545
Profit from disposals of subsidiary	4	(1,472,261)	-
Finance income	6	(973)	(291)
Finance costs	7	261	6,417
Income tax expense	11	146	4,802
		<u>(4,932,563)</u>	<u>(5,546,808)</u>
Working capital adjustments			
Increase in debtors	15	(5,695,985)	(1,217,121)
Increase in creditors	16	<u>6,595,223</u>	<u>3,944,542</u>
Cash generated from operations		(4,033,325)	(2,819,387)
Income taxes (paid)/received	11	<u>-</u>	<u>-</u>
Net cash flow from operating activities		<u>(4,033,325)</u>	<u>(2,819,387)</u>
Cash flows from investing activities			
Interest received		973	291
Acquisitions of tangible assets		(712,259)	(604,483)
Purchase of subsidiaries		-	(34,144)
Proceeds from sale of subsidiary company (net of cash disposed)		<u>(111,809)</u>	<u>-</u>
Net cash flows from investing activities		<u>(823,095)</u>	<u>(638,336)</u>
Cash flows from financing activities			
Interest paid		(261)	(6,417)
Repayment of bank borrowing		-	(5,707)
Funds received from parent company		<u>5,605,014</u>	<u>3,491,548</u>
Net cash flows from financing activities		<u>5,604,753</u>	<u>3,479,424</u>
Net increase in cash and cash equivalents		748,333	21,701
Cash and cash equivalents at 31 July		<u>258,738</u>	<u>237,037</u>
Cash and cash equivalents at 30 July		<u>1,007,071</u>	<u>258,738</u>

The notes on pages 15 to 29 form an integral part of these financial statements.

VALORUM CARE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JULY 2020

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:
16 Carolina Way
Quays Reach
Salford
M50 2ZY

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

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

The presentational currency of the financial statements is Pounds Sterling, being the functional currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest Pound.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 July 2020.

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

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

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

VALORUM CARE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JULY 2020

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

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

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

Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The Group receives additional support and funding where necessary from Fairhome Group PLC, a related party, and it is expected that this will continue for more than 12 months after the year end date. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Judgements

No significant judgements or estimation uncertainties have been made by management in preparing these financial statements.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company. The group recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the group's activities.

Tax

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

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

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	33% straight line
Motor vehicles	20% straight line
Fixtures and fittings	25% straight line
Office equipment	33% straight line

Freehold property is not depreciated based on a large level of repairs costs spent in order to maintain it to a high standard.

VALORUM CARE GROUP PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JULY 2020****Business combinations**

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Goodwill

Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Intangible assets

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

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

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

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

Asset class	Amortisation method and rate
Goodwill	Straight line over 10 years
Customer relationships	Straight line over 3 years

Investments

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

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

Cash and cash equivalents

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

VALORUM CARE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JULY 2020

Debtors

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

Trade debtors are recognised initially at the transaction price. All trade debtors are repayable within one year and hence are included at the undiscounted cost of cash expected to be received. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the debtors.

Creditors

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

Trade creditors are recognised initially at the transaction price and all are repayable within one year and hence are included at the undiscounted amount of cash expected to be paid.

Borrowings

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

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

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

Leases

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

Share capital

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

Defined contribution pension obligation

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

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

VALORUM CARE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JULY 2020

Financial instruments

Classification

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Recognition and measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Impairment

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

A non financial asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ('CGUs') of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

3 Revenue

The total turnover of the company has been derived from its principal activity wholly undertaken in the United Kingdom.

VALORUM CARE GROUP PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JULY 2020****4 Disposal of subsidiary**

On 27 September 2019, the group disposed of its interest in Pathway for Care Limited. The profit on disposal of was £1,472,261, arising from proceeds of £1, net liabilities disposed of £1,320,765 and minority interest disposed of £151,495.

5 Operating loss

Arrived at after charging

	Year ended 30 July 2020	1 August 2018 to 30 July 2019
	£	£
Depreciation expense	290,519	105,275
Amortisation expense	141,964	1,002,490
Operating lease expense - property	4,454,977	1,395,606
Operating lease expense - plant and machinery	79,973	34,950
Operating lease expense - other	40,363	40,271
(Profit/loss on disposal of property, plant and equipment)	<u>3,646</u>	<u>3,780</u>

Included within the amortisation expense above for 2019 is £383,667 in relation to an impairment of investments in associates.

6 Other interest receivable and similar income

	2020	2019
	£	£
Interest income on bank deposits	<u>973</u>	<u>291</u>

7 Interest payable and similar expenses

	2020	2019
	£	£
Interest on bank overdrafts and borrowings	261	-
Interest expense on other finance liabilities	-	6,417
	<u>261</u>	<u>6,417</u>

8 Staff costs**Group**

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

	Year ended 30 July 2020	1 August 2018 to 30 July 2019
	£	£
Wages and salaries	29,719,547	13,838,951
Social security costs	1,990,777	721,522
Pension costs, defined contribution scheme	<u>797,395</u>	<u>198,754</u>
	<u>32,507,719</u>	<u>14,759,227</u>

VALORUM CARE GROUP PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JULY 2020**

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

	Year ended 30 July 2020 No.	1 August 2018 to 30 July 2019 No.
Care staff	1,666	622
Administration and support	48	13
	<u>1,714</u>	<u>635</u>

Company

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

	Year ended 30 July 2020 £	1 August 2018 to 30 July 2019 £
Wages and salaries	1,883,874	1,668,121
Social security costs	187,350	150,637
Pension costs, defined contribution scheme	59,884	29,942
	<u>2,131,108</u>	<u>1,848,700</u>

Company

The number of employees in the company is 48 (2019 - 13).

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Remuneration	140,000	147,747
Contributions paid to money purchase schemes	5,600	20,984
	<u>145,600</u>	<u>168,731</u>

10 Auditors' remuneration

	2020 £	2019 £
Audit of these financial statements	<u>61,750</u>	<u>61,750</u>

VALORUM CARE GROUP PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JULY 2020****11 Taxation**

Tax charged in the profit and loss account

	Year ended 30 July 2020 £	1 August 2018 to 30 July 2019 £
Current taxation		
UK corporation tax adjustment to prior periods	<u>146</u>	<u>4,802</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Loss before tax	<u>(3,895,719)</u>	<u>(6,664,479)</u>
Corporation tax at standard rate	(740,187)	(1,266,251)
Effect of expense not deductible in determining taxable profit (tax loss)	-	31,418
Tax (decrease)/increase from effect of capital allowances and depreciation	(53,157)	99,222
Tax increase from effect of unrelieved tax losses carried forward	793,344	1,135,611
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>146</u>	<u>4,802</u>
Total tax charge	<u>146</u>	<u>4,802</u>

Deferred tax**Group**

Deferred tax assets and liabilities

2020	Asset £
Differences between capital allowances and accumulated depreciation	<u>10,120</u>
2019	Asset £
Differences between capital allowances and accumulated depreciation	<u>10,120</u>

VALORUM CARE GROUP PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JULY 2020****12 Intangible assets****Group**

	Goodwill £	Trademarks, patents and licenses £	Total £
Cost			
At 31 July 2019	652,028	378,273	1,030,301
Disposals	<u>(493,301)</u>	<u>-</u>	<u>(493,301)</u>
At 30 July 2020	<u>158,727</u>	<u>378,273</u>	<u>537,000</u>
Amortisation			
At 31 July 2019	516,187	210,152	726,339
Amortisation charge	15,873	126,091	141,964
Amortisation eliminated on disposals	<u>(493,301)</u>	<u>-</u>	<u>(493,301)</u>
At 30 July 2020	<u>38,759</u>	<u>336,243</u>	<u>375,002</u>
Carrying amount			
At 30 July 2020	<u>119,968</u>	<u>42,030</u>	<u>161,998</u>
At 30 July 2019	<u>135,841</u>	<u>168,121</u>	<u>303,962</u>

During the year, the company and group disposed of its interest in Pathway for Care Limited for total consideration of £1. The goodwill was fully amortised in 2019. Further details on the disposal can be found in note 4 to these financial statements.

VALORUM CARE GROUP PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JULY 2020****13 Tangible assets****Group**

	Land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 31 July 2019	202,595	776,120	12,290	991,005
Additions	16,104	667,985	28,170	712,259
Disposals	-	(14,570)	-	(14,570)
At 30 July 2020	<u>218,699</u>	<u>1,429,535</u>	<u>40,460</u>	<u>1,688,694</u>
Depreciation				
At 31 July 2019	-	167,120	731	167,851
Charge for the period	<u>3,859</u>	<u>281,517</u>	<u>5,143</u>	<u>290,519</u>
At 30 July 2020	<u>3,859</u>	<u>448,637</u>	<u>5,874</u>	<u>458,370</u>
Carrying amount				
At 30 July 2020	<u>214,840</u>	<u>980,898</u>	<u>34,586</u>	<u>1,230,324</u>
At 30 July 2019	<u>202,595</u>	<u>609,000</u>	<u>11,559</u>	<u>823,154</u>

Included within the net book value of land and buildings above is £214,840 (2019 - £202,595) in respect of freehold land and buildings.

Company

	Furniture, fittings and equipment £
Cost	
At 31 July 2019	117,014
Additions	<u>64,903</u>
At 30 July 2020	<u>181,917</u>
Depreciation	
At 31 July 2019	33,864
Charge for the period	<u>48,087</u>
At 30 July 2020	<u>81,951</u>
Carrying amount	
At 30 July 2020	<u>99,966</u>
At 30 July 2019	<u>83,150</u>

VALORUM CARE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JULY 2020

14 Investments

Group

Company

	2020	2019
	£	£
Investments in subsidiaries	<u>700,170</u>	<u>700,170</u>

Subsidiaries

£

Cost

At 31 July 2020

700,170

Carrying amount

At 30 July 2020

700,170

At 30 July 2019

700,170

VALORUM CARE GROUP PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JULY 2020****Details of undertakings**

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2020	2019
Subsidiary undertakings				
1st Enable Limited	England and Wales	Ordinary	50%	50%
Trova Support Limited	England and Wales	Ordinary	100%	100%
Valorum Care Limited	England and Wales	Ordinary	100%	100%
Carmel Care & Support Limited	England and Wales	Ordinary	100%	100%
Pathway for Care Limited	England and Wales	Ordinary	0%	70%
Adjuvo Care Essex Limited	England and Wales	Ordinary	100%	100%
Solutions In Service Limited	England and Wales	Ordinary	50%	50%
Glenarie House Nursing Home Limited	England and Wales	Ordinary	50%	50%
Clyde House Limited	England and Wales	Ordinary	50%	50%
Heaton Lodge Limited	England and Wales	Ordinary	50%	50%
The Bridgings Limited	England and Wales	Ordinary	50%	50%
CHY Morvah Limited	England and Wales	Ordinary	95%	95%
Matley-Jones Brown Limited	England and Wales	Ordinary	95%	95%
Joint ventures				
Northern Healthcare Group Limited	England and Wales	Ordinary	50%	50%

The principal activity of all subsidiary and joint venture companies is the provision of care services.

All of the above subsidiaries were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Included in the above list are various companies of whom Valorum Care Group PLC owns 50% of them. Valorum Care Group PLC has dominant influence over these companies and has exerted this influence in order to have the necessary control in order to include them as subsidiaries for consolidation accounting purposes.

15 Debtors

	Note	Group		Company	
		30 July 2020	30 July 2019	30 July 2020	30 July 2019
		£	£	£	£
Trade debtors		4,729,880	1,150,076	289,571	6,771
Amounts owed by related parties	21	34,925	149,290	5,981,670	2,040,208
Other debtors		2,641,372	1,327,955	1,260,798	19,331
Prepayments		584,342	112,928	162,211	31,617
Deferred tax assets	11	10,120	10,120	-	-
		<u>8,000,639</u>	<u>2,750,369</u>	<u>7,694,250</u>	<u>2,097,927</u>

VALORUM CARE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JULY 2020

16 Creditors

	Note	Group		Company	
		30 July 2020 £	30 July 2019 £	30 July 2020 £	30 July 2019 £
Due within one year					
Loans and borrowings	17	121,715	121,715	-	-
Trade creditors		1,769,780	1,608,335	776,528	1,268,304
Amounts due to related parties	21	12,852,297	6,518,015	14,257,489	5,837,479
Social security and other taxes		1,777,992	337,433	1,555,719	235,460
Outstanding defined contribution pension costs		326,128	109,700	305,672	86,480
Other creditors		2,103,772	232,366	2,048	8,147
Accrued expenses		2,157,349	1,698,114	120,108	383,014
Corporation tax liability	11	108,234	104,040	-	-
Deferred income		592,226	-	-	-
		<u>21,809,493</u>	<u>10,729,718</u>	<u>17,017,564</u>	<u>7,818,884</u>
Due after one year					
Loans and borrowings	17	<u>-</u>	<u>768,606</u>	<u>-</u>	<u>-</u>

VALORUM CARE GROUP PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JULY 2020****17 Loans and borrowings**

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Current loans and borrowings				
Bank borrowings	<u>121,715</u>	<u>121,715</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Non-current loans and borrowings				
Redeemable preference shares	<u>-</u>	<u>768,606</u>	<u>-</u>	<u>-</u>

18 Pension and other schemes**Defined contribution pension scheme**

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £797,395 (2019 - £198,754).

Contributions totalling £326,128 (2019 - £109,700) were payable to the scheme at the end of the year and are included in creditors.

19 Share capital**Allotted, called up and fully paid shares**

	30 July 2020		30 July 2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

20 Financial guarantee

Valorum Care Group PLC has given a guarantee under section 479A of the Companies Act 2006 to guarantee all outstanding liabilities as at 31 July 2020. The subsidiary companies are therefore exempt from the requirements of the Act relating to the audit of individual accounts. The subsidiary companies that the guarantee applies to are all those non dormant companies listed in note 14.

VALORUM CARE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JULY 2020

21 Related party transactions

Valorum Care Group PLC is related to Fairhome Group PLC and Adjuvo Care and Support Limited by the virtue of the fact that there are common shareholders. At 31 July 2020, the company and group owed Fairhome Group PLC £12,635,262 (2019 - £5,708,649). The loan has no fixed repayment terms and no interest has been charged.

Valorum Care Group PLC is related to Adjuvo Care & Support Limited by the virtue of the fact that there are common shareholders. At 31 July 2020, the Group was owed £1,270,755 (2019 - £149,290) by the company. The loan has no fixed repayment terms and no interest has been charged.

22 Parent and ultimate parent undertaking

There is no single controlling party.