

WELLBURN CARE HOMES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

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WELLBURN CARE HOMES LIMITED

COMPANY INFORMATION

Directors	Mr S W Beckett (Founder) Mr C J Davey Mrs R Buckland (Chair) Mr S Buckland Mr R D Guppy Mrs S McKinney
Company secretary	Mr R D Guppy
Registered number	01965619
Registered office	Tyne View House 9 Grange Road Newburn Newcastle Upon Tyne NE15 8ND
Independent auditors	Waltons Clark Whitehill Limited Chartered Accountants & Statutory Auditors Maritime House Harbour Walk The Marina Hartlepool TS24 0UX
Bankers	Yorkshire Bank PLC 110 Quayside Newcastle upon Tyne NE1 3DX

WELLBURN CARE HOMES LIMITED

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WELLBURN CARE HOMES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

Results and dividends

The profit for the year, after taxation, amounted to £1,088,346 (2019 - £1,224,526).

A dividend of £91,915 (2019: £96,128) has been declared and paid in the year.

Directors

The directors who served during the year were:

Mr S W Beckett (Founder)
Mr C J Davey
Mrs R Buckland (Chair)
Mr S Buckland
Mr R D Guppy
Mrs S McKinney

WELLBURN CARE HOMES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Land and buildings

The directors have valued the land and buildings using a model which takes into account expected occupancy levels, room rates and staffing levels. The model follows the methodology used by Colliers International Property Consultants Ltd, agents, valuers and surveyors when they prepared an independent, external valuation at 31 March 2019, a methodology that has been consistently used in the care sector for a number of years.

The properties, with one exception, vary between 100 and 300 years old. Again, with one exception, all of the properties are in conservation areas and four are Grade II Listed. The company has always maintained its properties to very high standards, and will continue to do so, and all maintenance costs are written off immediately.

Future developments

Whilst we're still feeling the effects of the Covid-19 pandemic, we've taken the decision to prioritise our spend on other areas, temporarily pausing all improvement work across all 14 of our homes. The immediate focus falls on maintaining a safe environment for both our staff and residents, investing in key areas, such as enhanced infection control, including:

- The purchase and regular use of disinfecting machines throughout the homes
- Installation of thermal cameras to measure visitors' temperatures before allowing entrance to the home
- Installation of visitor pods to allow a safe environment for staff, residents and visitors

Although we have to date seen reported cases of Covid-19 in 4 of our 14 homes, when compared to other local, regional and national care homes and the sector as a whole, we've so far navigated our way through the pandemic successfully and are confident we've done and continue to do as much as we can to maintain this position.

As a result of the Covid-19 pandemic, we have experienced a reduced occupancy in the year to 31 March 2021 to date and therefore fully expect reduced profits for that period. We continue to review our direct and overhead costs to ensure that we get value for money, whilst always making sure we maintain the highest level of service.

Looking to the future, amongst the many challenges we expect to face, meeting the cost of further increases to the 'National Living Wage' is a priority. Negotiations with Local Councils (at local and regional levels) have provided some uplifts in fees, but the negotiation process will be ongoing whilst we move towards the Government's Living Wage 'goal'.

There is also much speculation and uncertainty, as to how the care sector will be funded in future. We're working closely together with Care England, to make sure our views are represented and that we can help drive forward the conversation and play a part in the dialogue to make sure that the sector is appropriately funded in future.

The directors believe that the company is in a healthy position and have a huge amount of confidence that not only do they have the right model and strategies in place, but also a team of gifted, dedicated and massively committed people, to steer safely and successfully through the Covid-19 pandemic and beyond.

WELLBURN CARE HOMES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Engagement with employees

The directors endeavour to provide appropriate management information to employees to keep them apprised of company performance. The directors encourage employees to comment on such information, and will always consider carefully any views expressed. Regular meetings are held with senior employees to promote understanding of performance and discuss possible improvements.

Disabled employees

The company has a Dignity and Equality at Work policy in place and encourages good employment practice. The company recognises a clear legal and moral responsibility to ensure everyone is offered equal opportunities for employment and progression.

In order to ensure this, applicants will be selected for employment solely on the basis of relevant aptitude, skills and abilities. If anyone becomes disabled during employment steps will be taken to make adjustments as needed. Staff are advised of their responsibility to actively avoid discrimination.

Engagement with suppliers, customers and others

We have and continue to implement a raft of measures, initiatives and strategies to make sure we always deal with customers and suppliers ethically, and in line with our company values. We believe this is one of the key factors in our success and will be a major factor to our long-term success too.

Matters covered in the strategic report

The business review, principal risks and uncertainties and financial key performance indicators are all included in the strategic report.

Disclosure of information to auditors

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

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

Post balance sheet events

From the middle of March 2020, the UK observed a significant increase in the number of reported cases of Covid-19. We reported our first cases of Covid-19 at the end of March 2020 and, to date, only 4 of our 14 homes have reported positive cases. Through a combination of planning, hard work and resilience, we've had no further reported cases in any of our homes since May 2020.

WELLBURN CARE HOMES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

Auditors

The auditors, Watsons Clark Whitehill Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



Mrs R Buckland (Chair)
Director

Date: 24 September 2020

WELLBURN CARE HOMES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Business review

The company's trading performance for the year to 31 March 2020, is in line with the previous year, despite the ongoing significant challenges faced in the care sector. The increase in turnover is due to an improvement in room rates, despite slightly reduced occupancy.

Payroll costs (the company's major cost) increased again due to the impact of the 'National Living Wage' and related incremental increases. Other care costs have also increased, in large part due to higher repair costs, that were and continue to be part of our strategy to invest back in to the homes.

The increase in capital and reserves shown within the balance sheet at 31 March 2020 reflects the retention of profit for the year after corporation tax, deferred taxation charges and dividends. The company continues to move towards a more stable basis by the retention of profits and continued repayment of borrowings, and the directors will continue with the policy of profit retention for the foreseeable future.

Principal risks and uncertainties

Although we are seeing both inside the sector and generally across the region and country, recent Covid-19 cases lower than the peak earlier in the year, the immediate future remains uncertain.

Our position is clear. We will continue to monitor the situation on a day by day basis, and adapt, review and make decisions where and when needed, swiftly, decisively and confidently. The safety and wellbeing of our staff and residents has and always will be our first priority. We believe it is this approach and confidence, that will help attract and secure future residents who are looking for new care.

As stated previously, negotiations with local councils have generally produced acceptable uplifts to fee rates in most (but not all) areas. The company is helped by its historically high level of privately funded residents but, in conjunction with local and national care associations, we keep pressing the government and local councils to ensure that wage increases forced upon us by legislation are mitigated by increased local council fee levels.

Increasing emphasis on monitoring and review of care homes by CQC and local councils raises the possibility of our homes being downgraded due to compliance, rather than care quality, issues. Our emphasis on quality of care should ensure that homes retain their grading, but income could be reduced if our homes are downgraded at any point.

Our continued policy of maintaining our properties to high standards inevitably requires higher than industry benchmark figures for repair and maintenance costs. However, we will continue with this policy to maintain our commitment to the highest quality of care provision to our residents.

Financial and other key performance indicators

The company's key performance indicator, occupancy, averaged 90.9% over the year, compared to 91.7% in the previous year. We continue to seek to improve occupancy levels although current year occupancy levels are depressed due to the Covid-19 crisis.

Gross profit margin for 2019/20 at 39% was lower than the previous year's 42%; mainly due to the impact of increasing staff costs. The directors continue to work to increase margins by maximising income and careful control of costs.

WELLBURN CARE HOMES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

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

When making any decision, be it small or large, the directors always act in good faith, with the welfare of the staff and residents at the heart of everything they do. All decisions and strategies implemented have both the short, medium and long term health and success of the company at their core.

In discharging their duties above, the directors also carefully consider the impact on and interests of other stakeholders in the company, and factor these into their decision making process.

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

**Mrs R Buckland (Chair)
Director**

Date:


24 September 2020

WELLBURN CARE HOMES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WELLBURN CARE HOMES LIMITED

Unqualified opinion

We have audited the financial statements of Wellburn Care Homes Limited (the 'company') for the year ended 31 March 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, 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 company's affairs as at 31 March 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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

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 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.

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 Auditors' 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

WELLBURN CARE HOMES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WELLBURN CARE HOMES LIMITED (CONTINUED)

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.

Opinion on other matters 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 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 or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 on page 1, 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.

WELLBURN CARE HOMES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WELLBURN CARE HOMES LIMITED (CONTINUED)

Auditors' 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 Auditors' 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 Auditors' Report.

Use of our report

This report is made solely to the company's shareholders 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 shareholders those matters we are required to state to them in an Auditors' 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 shareholders for our audit work, for this report, or for the opinions we have formed.

Walters Clark Whitehill Limited

Paul Harrison MSc BSc FCA (Senior Statutory Auditor)

for and on behalf of

Walters Clark Whitehill Limited

Chartered Accountants
Statutory Auditors

Maritime House
Harbour Walk
The Marina
Hartlepool
TS24 0UX

24 September 2020

WELLBURN CARE HOMES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £	As restated 2019 £
Turnover	4	20,388,060	19,307,471
Cost of sales		(12,427,604)	(11,194,387)
Gross profit		7,960,456	8,113,084
Administrative expenses		(4,784,045)	(4,746,957)
Fair value movements		-	(477,146)
Operating profit	5	3,176,411	2,888,981
Interest receivable and similar income		1,266	-
Interest payable and expenses	10	(1,625,870)	(1,741,706)
Profit before tax		1,551,807	1,147,275
Tax on profit	11	(463,461)	77,251
Profit for the year		1,088,346	1,224,526

The notes on pages 17 to 35 form part of these financial statements.

WELLBURN CARE HOMES LIMITED
REGISTERED NUMBER: 01965619

BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 £	As restated 2019 £
Fixed assets			
Intangible assets	13	51,046	49,257
Tangible assets	14	47,886,296	47,752,101
Investments	15	200	200
		<u>47,937,542</u>	<u>47,801,558</u>
Current assets			
Stocks	17	42,000	42,000
Debtors: amounts falling due within one year	18	1,307,360	1,492,001
Cash at bank and in hand	19	607,617	188,573
		<u>1,956,977</u>	<u>1,722,574</u>
Creditors: amounts falling due within one year	20	<u>(4,644,445)</u>	<u>(4,375,353)</u>
Net current liabilities		(2,687,468)	(2,652,779)
Total assets less current liabilities		45,250,074	45,148,779
Creditors: amounts falling due after more than one year	21	(19,602,752)	(20,744,743)
Provisions for liabilities			
Deferred tax	25	(1,989,289)	(1,742,434)
Net assets		<u>23,658,033</u>	<u>22,661,602</u>

WELLBURN CARE HOMES LIMITED
REGISTERED NUMBER: 01965619

BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2020

	Note	2020 £	2019 £
Capital and reserves			
Called up share capital	26	19,895	19,895
Share premium account	27	34,742	34,742
Revaluation reserve	27	15,459,034	15,459,034
Capital redemption reserve	27	219,450	219,450
Profit and loss account	27	7,924,912	6,928,481
		<u>23,658,033</u>	<u>22,661,602</u>

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

Mrs R Buckland (Chair)
Director



24 September 2020

The notes on pages 17 to 35 form part of these financial statements.

WELLBURN CARE HOMES LIMITED

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

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 April 2018 (as previously stated)	19,895	34,742	219,450	17,571,720	5,902,617	23,748,424
Prior year adjustment	-	-	-	-	(102,534)	(102,534)
At 1 April 2018 (as restated)	19,895	34,742	219,450	17,571,720	5,800,083	23,645,890
Profit for the year	-	-	-	-	1,224,526	1,224,526
Deficit on revaluation of freehold property	-	-	-	(2,112,686)	-	(2,112,686)
Dividends: Equity capital	-	-	-	-	(96,128)	(96,128)
At 1 April 2019 (as previously stated)	19,895	34,742	219,450	15,459,034	7,114,040	22,847,161
Prior year adjustment	-	-	-	-	(185,559)	(185,559)
At 1 April 2019 (as restated)	19,895	34,742	219,450	15,459,034	6,928,481	22,661,602
Profit for the year	-	-	-	-	1,088,346	1,088,346
Dividends: Equity capital	-	-	-	-	(91,915)	(91,915)
At 31 March 2020	19,895	34,742	219,450	15,459,034	7,924,912	23,658,033

The notes on pages 17 to 35 form part of these financial statements.

WELLBURN CARE HOMES LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	2020 £	As restated 2019 £
Cash flows from operating activities		
Profit for the financial year	1,088,346	1,224,526
Adjustments for:		
Amortisation of intangible assets	22,126	11,556
Depreciation of tangible assets	322,927	326,180
Interest payable	1,625,871	1,741,706
Interest received	(1,266)	-
Taxation	463,461	(77,251)
decrease in debtors	184,641	125,635
Increase in creditors	79,991	163,517
Fair value movement	-	477,146
Corporation tax paid	(75,267)	(406,112)
Net cash generated from operating activities	3,710,830	3,586,903
Cash flows from investing activities		
Purchase of intangible fixed assets	(19,353)	(37,624)
Purchase of tangible fixed assets	(461,684)	(654,844)
Sale of tangible fixed assets	-	2,000
Interest received	1,266	-
HP interest paid	(2,689)	(4,354)
Net cash from investing activities	(482,460)	(694,822)
Cash flows from financing activities		
Repayment of loans	(1,055,463)	(989,102)
Net (repayment of)/new finance leases	(38,767)	(42,318)
Dividends paid	(91,915)	(96,128)
Interest paid	(1,623,181)	(1,737,352)
Net cash used in financing activities	(2,809,326)	(2,864,900)

WELLBURN CARE HOMES LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

	2020 £	As restated 2019 £
Net increase / (decrease) in cash and cash equivalents	419,044	27,181
Cash and cash equivalents at beginning of year	188,573	161,392
Cash and cash equivalents at the end of year	607,617	188,573
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	607,617	188,573
	607,617	188,573

The notes on pages 17 to 35 form part of these financial statements.

WELLBURN CARE HOMES LIMITED

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2020**

	At 1 April 2019 £	Cash flows £	At 31 March 2020 £
Cash at bank and in hand	188,573	419,044	607,617
Debt due after 1 year	(20,728,106)	1,126,402	(19,601,704)
Debt due within 1 year	(1,055,464)	(70,938)	(1,126,402)
Finance leases	(56,145)	38,767	(17,378)
	<u>(21,651,142)</u>	<u>1,513,275</u>	<u>(20,137,867)</u>

The notes on pages 17 to 35 form part of these financial statements.

WELLBURN CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. General information

Wellburn Care Homes Limited is a company limited by share capital, incorporated in the United Kingdom and registered in England and Wales.

The registered office address is:

Tyne View House
9 Grange Road
Newburn
Newcastle Upon Tyne
NE15 8ND

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Going concern

The directors, having made due and careful enquiry and preparing forecasts, are of the opinion that the company has adequate working capital to execute its operations over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As a result the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

In making this assessment the directors are aware of the impact of Covid-19. As discussed in the directors' report this has reduced occupancy since the year end and therefore had a negative impact on cashflow. This impact is expected to be short term and occupancy levels are gradually improving. The company has spoken to the bank and has plans in place to manage any temporary cash flow difficulties. The directors therefore believe that the company will be able to manage any downturn and remains a going concern.

2.3 Exemption from preparing consolidated financial statements

The company is exempt from the requirement to prepare consolidated financial statements as all of its subsidiaries are required to be excluded from consolidation by section 402 of the Companies Act 2006.

WELLBURN CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.4 Revenue

Revenue represents amounts charged for care home fees. This is recognised in the period in which the service is provided when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract; and
- in accordance with the timing of the care given.

2.5 Intangible assets

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

The estimated useful lives range as follows:

Software	-	4	years
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2.6 Tangible fixed assets

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

Depreciation is provided on the following basis:

Additions to leasehold premises	-	over 10 years
Motor vehicles	-	over 4 years
Fixtures, fittings and equipment	-	over 4 to 15 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.7 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Fair values are determined from market based evidence based on a methodology originally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the statement of changes in equity unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

WELLBURN CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.8 Operating leases: the company as lessee

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

2.9 Valuation of investments

Investments in subsidiaries & associates are measured at cost less accumulated impairment.

2.10 Stocks

Stocks are valued at the estimated cost amount per home of consumables, such as food, held at the year end, taking into account any provision for impairment.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions.

In the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

2.13 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, and loans to related parties.

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the directors.

2.15 Leased assets: the company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

WELLBURN CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

At the year end contributions totalling £36,791 (2019: 21,701) were included in other creditors.

2.17 Interest income

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

2.18 Borrowing costs

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

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax.

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

WELLBURN CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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

The valuation of the properties is based on a multiplier of future profits and this is reliant upon anticipated room rates and levels of occupancy. As such were these to change the calculated value could also change.

The directors have had regard to a valuation prepared by Colliers International Property Consultants Ltd in setting the methodology for the valuation. Further details are included in note 14 of the financial statements.

In preparing these financial statements the directors have used the going concern basis of accounting. This is based on the best information available at the date of signature. As explained in the Directors report the company's results have been affected by the impact of Covid-19. At this stage it is impossible to state the final impact this will have however we have seen a downturn in occupancy since the year end.

At this stage this is not expected to change the status of the company from a going concern and the financial statements therefore continue to be prepared on the going concern basis.

4. Turnover

The whole of the turnover is attributable to the provision of residential and nursing care, together with some day care accommodation for the elderly.

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	322,927	326,180
Amortisation of intangible assets	22,126	7,530
Defined contribution pension cost	197,852	122,542

WELLBURN CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

6. Auditors' remuneration

	2020 £	2019 £
Fees payable to the company's auditors and their associates for the audit of the company's annual accounts	18,720	18,000
	<u>18,720</u>	<u>18,000</u>
Fees payable to the company's auditors and their associates in respect of:		
Other services including those relating to taxation	8,371	14,623
	<u>8,371</u>	<u>14,623</u>

7. Employees

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

	2020 £	2019 £
Wages and salaries	10,571,322	9,657,287
Social security costs	759,150	678,697
Cost of defined contribution scheme	197,852	122,542
	<u>11,528,324</u>	<u>10,458,526</u>

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

	2020 No.	2019 No.
Care home staff	558	532
Administration, management and maintenance	49	45
	<u>607</u>	<u>577</u>

WELLBURN CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	549,799	415,028
Company contributions to defined contribution pension schemes	8,772	6,317
	<u>558,571</u>	<u>421,345</u>

During the year retirement benefits were accruing to 4 directors (2019 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £139,138 (2019 - £123,753).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £2,193 (2019 - £1,781).

9. Interest receivable

	2020 £	2019 £
Other interest receivable	1,266	-
	<u>1,266</u>	<u>-</u>

10. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	1,623,181	1,737,352
Finance leases and hire purchase contracts	2,689	4,354
	<u>1,625,870</u>	<u>1,741,706</u>

WELLBURN CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

11. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	221,403	230,966
Adjustments in respect of previous periods	(4,797)	(14,030)
	<u>216,606</u>	<u>216,936</u>
Total current tax	<u>216,606</u>	<u>216,936</u>
Deferred tax		
Origination and reversal of timing differences	148,742	63,267
Movement on revaluation of land and buildings	98,113	(357,454)
	<u>246,855</u>	<u>(294,187)</u>
Total deferred tax	<u>246,855</u>	<u>(294,187)</u>
Taxation on profit/(loss) on ordinary activities	<u>463,461</u>	<u>(77,251)</u>

WELLBURN CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	As restated 2019 £
Profit on ordinary activities before tax	1,551,806	1,147,275
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	294,843	217,982
Effects of:		
Fair value movement	-	90,658
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,098	(122)
Capital allowances for year in excess of depreciation	(77,538)	(75,148)
Origination and reversal of timing differences	246,855	(294,187)
Revenue items capitalised	-	(2,404)
Adjustments to tax charge in respect of prior periods	(4,797)	(14,030)
Total tax charge for the year	463,461	(77,251)

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2020 £	2019 £
Dividends paid on equity capital	91,915	96,128
	91,915	96,128

WELLBURN CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

13. Intangible assets

	Software £
Cost	
At 1 April 2019	67,742
Additions	19,353
Transfer between classes	10,200
At 31 March 2020	<u>97,295</u>
Amortisation	
At 1 April 2019	18,485
Charge for the year on owned assets	22,126
Transfer between classes	5,638
At 31 March 2020	<u>46,249</u>
Net book value	
At 31 March 2020	<u><u>51,046</u></u>
At 31 March 2019	<u><u>49,257</u></u>

The charge for the year as above is included within administrative expenses in the statement of comprehensive income.

WELLBURN CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

14. Tangible fixed assets

	Land and buildings £	Additions to leasehold premises £	Furniture, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 April 2019	47,019,993	289,194	5,235,116	195,967	52,740,270
Additions	49,547	-	412,137	-	461,684
Transfers between classes	-	-	(10,200)	-	(10,200)
At 31 March 2020	47,069,540	289,194	5,637,053	195,967	53,191,754
Depreciation					
At 1 April 2019	-	289,194	4,524,684	174,291	4,988,169
Charge for the year on owned assets	-	-	305,207	3,196	308,403
Charge for the year on financed assets	-	-	-	14,524	14,524
Transfers between classes	-	-	(5,638)	-	(5,638)
At 31 March 2020	-	289,194	4,824,253	192,011	5,305,458
Net book value					
At 31 March 2020	47,069,540	-	812,800	3,956	47,886,296
At 31 March 2019	47,019,993	-	710,432	21,676	47,752,101

WELLBURN CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

14. Tangible fixed assets (continued)

The net book value of assets held on hire purchase at the year end is £410 (2019: £23,232).

Land and buildings were revalued at 31 March 2019 by the directors, using methodology used by external professional valuers Colliers International Property Consultants Ltd, agents, valuers and surveyors at 31 March 2019. The valuations by Colliers International Property Consultants Ltd were based on a multiple of the existing profitability of each individual care home, the standard for the industry, and also reflect the company's ongoing improvement programme.

The directors have taken this valuation as a basis for their own calculations and have prepared a valuation taking allowance of expected occupancy levels and room rates.

The directors, having suitable knowledge and qualification, considered the above valuation to be a fair reflection of the value of land and buildings at 31 March 2020.

If land and buildings had not been revalued they would have been included at a historical cost of £34,064,462 (2019: £34,014,915).

The valuation of land and property includes long leasehold property of £1,960,000.

15. Fixed asset investments

	Investments in subsidiary companies £	Investments in associates £	Total £
Cost			
At 1 April 2019	100	100	200
At 31 March 2020	100	100	200

The aggregate of the share capital and reserves as at 31 March 2020 and the profit or loss for the year ended on that date for the associate undertaking were as follows:

	Aggregate of share capital and reserves	Profit/ (Loss)
Wellburn Construction Limited	500	13,002

WELLBURN CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

16. Subsidiary undertaking

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Registered office	Class of shares	Holding
Wellburn Care Limited	Tyne View House 9 Grange Road Newburn Newcastle Upon Tyne NE15 8ND	Ordinary	100%

The aggregate of the share capital and reserves as at 31 March 2020 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
Wellburn Care Limited	100	-

Associate

The following was an associate of the company:

Name	Registered office	Class of shares	Holding
Wellburn Construction Limited	Tyne View House 9 Grange Road Newburn Newcastle Upon Tyne NE15 8ND	Ordinary	100%

WELLBURN CARE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

17. Stocks

	2020 £	2019 £
Food and consumables	42,000	42,000
	<u>42,000</u>	<u>42,000</u>

18. Debtors

	2020 £	2019 £
Trade debtors	1,060,524	1,245,151
Other debtors	3,543	29,356
Prepayments and accrued income	243,293	217,494
	<u>1,307,360</u>	<u>1,492,001</u>

19. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	607,617	188,573
	<u>607,617</u>	<u>188,573</u>

WELLBURN CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

20. Creditors: Amounts falling due within one year

	2020 £	<i>As restated</i> 2019 £
Bank loans	1,126,402	1,055,464
Trade creditors	527,340	547,800
Corporation tax	141,340	-
Taxation and social security	184,336	154,062
Obligations under finance lease and hire purchase contracts	16,329	39,508
Other creditors	682,482	632,761
Accruals and deferred income	1,966,216	1,945,758
	<u>4,644,445</u>	<u>4,375,353</u>

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

	2020 £	2019 £
Bank loans	19,601,704	20,728,106
Net obligations under finance leases and hire purchase contracts	1,048	16,637
	<u>19,602,752</u>	<u>20,744,743</u>

Secured loans

The bank loan facilities are secured by:

1. Legal mortgages over the company's freehold and leasehold properties.
2. A fixed and floating charge over all assets of the company.

The hire purchase loans are secured on the assets to which they relate.

WELLBURN CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

22. Loans

Analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year		
Bank loans	1,126,402	1,055,464
	<u>1,126,402</u>	<u>1,055,464</u>
Amounts falling due 1-2 years		
Bank loans	1,202,233	1,126,402
	<u>1,202,233</u>	<u>1,126,402</u>
Amounts falling due 2-5 years		
Bank loans	5,962,843	6,028,508
	<u>5,962,843</u>	<u>6,028,508</u>
Amounts falling due after more than 5 years		
Bank loans	12,436,629	13,573,196
	<u>12,436,629</u>	<u>13,573,196</u>

The loans are repayable in monthly instalments by February 2033. Capital repayments started in March 2013. The loans are classed by the lender as Tailored Business Loans. The loan agreement currently results in the company paying a fixed rate of 6.96% on the majority of its borrowings, with a slightly lower rate on the remainder.

23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2020 £	2019 £
Within one year	16,329	39,508
Between 1-2 years	1,048	16,637
	<u>17,377</u>	<u>56,145</u>

WELLBURN CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

24. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at fair value through profit or loss	607,617	188,573
Financial assets that are debt instruments measured at amortised cost	1,064,067	1,256,422
	<u>1,671,684</u>	<u>1,444,995</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>24,105,857</u>	<u>24,891,011</u>

Financial assets measured at fair value through profit or loss comprise cash.

Financial assets measured at amortised cost comprise trade and other debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, accruals & deferred income, social security and other taxes, obligations under finance and hire purchase contracts and other creditors

25. Deferred taxation

	2020 £
At beginning of year	1,742,434
Charged to profit or loss	246,855
At end of year	<u>1,989,289</u>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	991,285	842,542
Deferred tax on revaluation of properties	998,004	899,892
	<u>1,989,289</u>	<u>1,742,434</u>

WELLBURN CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

26. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
18,295 (2019 - 18,295) Ordinary A shares of £1.00 each	18,295	18,295
1,600 (2019 - 1,600) Ordinary B shares of £1.00 each	1,600	1,600
	<hr/> 19,895 <hr/>	<hr/> 19,895 <hr/>

All shares are ranked pari-passu.

27. Reserves

Share premium account

This represents amounts paid to the company in excess of the share value for shares as issued.

Capital redemption reserve

This is a non distributable reserve to represent the money paid by the company on the purchase of own shares.

Revaluation reserve

This reserve exists to hold revaluation gains on land and buildings. Any downward revaluation will be posted to here initially and to the profit and loss reserve if the property is revalued below the original cost.

28. Prior year adjustment

In the current year the company has reached an agreement with the landlord for the leased property in respect of back rent due on this property. This has resulted in an adjustment to the prior year to increase costs in 2019 and 2018 by £102,500 less tax of £19,475 and in 2017 by £24,085 less tax of £4,576.

The net effect was to reduce reserves brought forward in the current year by £185,559.

WELLBURN CARE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

29. Commitments under operating leases

At 31 March 2020 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	227,252	205,188
Later than 1 year and not later than 5 years	738,793	705,534
Later than 5 years	3,835,000	3,982,885
Total	4,801,045	4,893,607

The value of lease payments recognised as an expense in the year is £74,496.

30. Related parties

During the year the company rented premises at £28,700 per annum from a shareholder.

At the year end £100 (2019: £100) was owed to a company in which there are shared directors.

At the year end £100 (2019: £100) was owed to a company in which Wellburn Care Homes Limited is a shareholder and there are common directors.

Amounts owing from a company in which Wellburn Care Homes Limited is a shareholder at the year end were £NIL (2019: £7,200).