Mental Health Care (Highfield Park) Limited

Registered number: 02717850

Annual report

For the year ended 30 June 2019

MENTAL HEALTH CARE (HIGHFIELD PARK) LIMITED

COMPANY INFORMATION

	B A MacGlashan S Owen H Gilbert (resigned 21 September 2018) R Worthington (resigned 5 October 2018) R Sandick (appointed 7 January 2019) A Dean (appointed 7 January 2019)
Registered number	02717850
Registered office	Alexander House Highfield Park Llandyrnog Denbighshire LL16 4LU
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 1 St Peter Square Manchester M2 3DE
Bankers	Barclays Bank plc 3rd Floor Windsor Court 3 Windsor Place Cardiff CF10 3ZL

MENTAL HEALTH CARE (HIGHFIELD PARK) LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2019

Business review

The company continued its principal activities throughout the current year as detailed in the Directors' Report. As reported in the Profit and Loss Account, revenue has increased by 15.1% from £6,792,876 to £7,817,139.

Loss after tax has improved from a loss of £689,290 to a loss of £241,966 in the current period. This result is a reflection of the continued investment in a refurbishment program and continued investment in staffing infrastructure to improve the operational performance and quality of the company which is leading to higher revenues.

Financial position at the reporting date

The Balance Sheet shows that the company's net assets at the year end have decreased from £2,632,951 to £2,390,985. This is due to the loss made in the year.

Principal risks and uncertainties

The directors consider the key risks and uncertainties facing the company to be as follows:

Competitive pressure in a market for specialist challenging behaviour services is a continuing risk for the company as a number of alternative providers exist across the UK. The group (headed by the ultimate parent MRA UK Investments Limited) continues to mitigate for this risk by developing services which are sufficiently differentiated from the competition by means of both the behavioural models applied and the niche client groups cared for by the group.

The service users are wholly funded by public sector sources. Consequently the group is therefore exposed to risks surrounding changes in government policies and the impact of enacted and planned reductions in spending on health and social care. This risk is mitigated by providing robust evidence of quality and service user outcomes, as well as ensuring that the group continues to contract with a wide range of funding providers. The group will continue to review and amend its cost base to counteract funding changes.

The directors have considered the MHC group and subsidiary companies trading and cash flows for the foreseeable future taking into account reasonably possible changes in trading performance. After making enquiries and taking into account the uncertainties arising from the current economic circumstances, the directors have a reasonable expectation that the company and the MHC group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The impact of COVID-19 is still unknown, but the company is taking precautions to mitigate any potential impact

to our staff, suppliers and customers.

Brexit risk implications

The terms on which the United Kingdom will withdraw from the European Union are still not clear and therefore it is not possible to fully evaluate the level of risk to the company. However, the directors do not regard the level of risk as significant as the company's customers are UK based.

Financial key performance indicators

Management monitors a number of financial and non-financial performance indicators to monitor the performance of the business. These include revenue, average occupancy, cash position and EBITDAR. The EBITDAR is defined as operating profit plus depreciation, amortisatio, interest, taxation and property rental charges.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

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

B A MacGlashan
Director

Date: 24 June 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

The directors present their report and the financial statements for the year ended 30 June 2019.

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;
- 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.

Principal activity

The company's principal activity is the provision of residential care for people with learning disabilities and challenging behaviour.

Results and dividends

The loss for the year, after taxation, amounted to £241,966 (2018 - loss £689,290).

The directors do not recommend the payment of a dividend for the year.

Directors

The directors who served during the year were:

H Gilbert (resigned 21 September 2018)
R Worthington (resigned 5 October 2018)
S Owen
B A MacGlashan
R Sandick (appointed 7 January 2019)
A Dean (appointed 7 January 2019)

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

Matters covered in the strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the directors' report. It has done so in respect of future developments and financial instruments.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Post balance sheet events

Since the Statement of Financial Position date there has been a global pandemic from the outbreak of COVID-

19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to

normal patterns of business activity across the world, including the UK.

The impact of Covid 19 -going concern has been considered in note number 1.3.

Auditor

The auditor, Mazars LLP, 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.

B A MacGlashan
Director

Date: 24 June 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MENTAL HEALTH CARE (HIGHFIELD PARK) LIMITED

Opinion

We have audited the financial statements of Mental Health Care (Highfield Park) Limited (the 'company') for the year ended 30 June 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the Group financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 1, and the consideration in the going concern basis of preparation as set out in note 1.3 and non-adjusting post balance sheet events on page 4. Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.
The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the Company and Group's trade, customers, suppliers and the wider eonomy.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MENTAL HEALTH CARE (HIGHFIELD PARK) LIMITED

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MENTAL HEALTH CARE (HIGHFIELD PARK) LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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 intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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.

Use of the audit 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.

Neil Barton (Senior statutory auditor)

for and on behalf of

Mazars LLP

Chartered Accountants and Statutory Auditor

1 St Peter Square

Manchester
M2 3DE

24 June 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 £	2018 £
Turnover	3	7,817,139	6,792,876
Cost of sales		(5,248,942)	(4,925,566)
Gross profit		2,568,197	1,867,310
Administration Expenses		(2,792,933)	(2,577,909)
Other operating income	4	5,260	3,309
Operating loss	5	(219,476)	(707,290)
Tax on loss		(22,490)	18,000
Loss for the financial year		(241,966)	(689,290)

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 11 to 21 form part of these financial statements.

BALANCE SHEET
AS AT 30 JUNE 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	9		8,703,339		9,007,967
Current assets					
Debtors: amounts falling due within one year	10	786,550		2,366,152	
Cash at bank and in hand	11	39,844		175,002	
		826,394		2,541,154	
Creditors: amounts falling due within one year	12	(7,028,258)		(8,828,170)	
Net current liabilities			(6,201,864)		(6,287,016)
Total assets less current liabilities			2,501,475		2,720,951
Provisions for liabilities					
Deferred tax	13		(110,490)		(88,000)
Net assets			2,390,985		2,632,951
Capital and reserves					
Called up share capital	14		2		2
Profit and loss account	15		2,390,983		2,632,949
			2,390,985		2,632,951

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

B A MacGlashan
Director

Date: 24 June 2020

The notes on pages 11 to 21 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Called up share capital £	Profit and loss account £	Total equity £
At 1 July 2018	2	2,632,949	2,632,951
Comprehensive income for the year			
Loss for the year	-	(241,966)	(241,966)
At 30 June 2019	2	2,390,983	2,390,985

The notes on pages 11 to 21 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Called up share capital £	Profit and loss account £	Total equity £
At 1 July 2017	2	3,322,239	3,322,241
Comprehensive income for the year			
Loss for the year	-	(689,290)	(689,290)
At 30 June 2018	2	2,632,949	2,632,951

The notes on pages 11 to 21 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation of financial statements

Mental Health Care (Highfield Park) Limited is a private company limited by shares, incorporated in the United Kingdom and registered in England & Wales. The registered office is Alexander House, Highfield Park, Llandyrnog, Denbighsire, LL16 4LU.

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 2).

The following principal accounting policies have been applied:

1.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of MRA UK Investments Limited as at 30 June 2019 and these financial statements may be obtained from the Registrar of Companies whose address is Companies House, Crown Way, Cardiff, CF14 3UZ.

1. Accounting policies (continued)

1.3 Going concern

Liquidity is managed on a group wide basis with the group currently not being reliant on external finance and does not expect to be so for the foreseeable future. The board has sought and received confirmation from its parent company that they will continue to provide support to the company for at least 12 months from the date of these financial statements.

The board has considered the group's and the company's future trading and cash flows for the foreseeable future, taking into account reasonably possible changes in trading performance, and has concluded that the group has adequate resources to continue in operational existence for the foreseeable future. The financial statements are thus prepared on a going concern basis.

The COVID-19 health outbreak in early 2020 may have an impact on the group's operations and

financial performance. At this point, the financial impact of the crisis cannot be reliably assessed by

the group. The group is considered to be sufficiently agile to be prepared to respond to any adverse

effects to minimise the impact on the financial performance of the group.

1.4 Revenue

Turnover comprises revenue recognised for the provision of health and social care residential and in-patient services and ancillary services. Revenue is recognised exclusive of trade discounts and sales taxes. Revenue paid in advance is included in deferred income until the service is provided. Revenue in respect of services provided but not yet invoiced by the period end is included within accrued income.

1.5 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.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	50 years straight line
Fixtures & fittings	-	5 years straight line
Assets under construction	-	nil

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

1. Accounting policies (continued)

1.6 Debtors

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

1.7 Cash and cash equivalents

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

1.8 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 debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1. Accounting policies (continued)

1.9 Creditors

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

1.10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.11 Provisions for liabilities

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

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

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

1.12 Current and deferred taxation

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

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

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

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

In applying the company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions the actual results and outcomes may differ.

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

Critical judgements in applying the company's accounting policies

The critical judgements that the directors have made in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

Assessing indicators of impairment

In assessing whether there have been any indicators of impaired assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverability of receivables

The company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the aging of the receivables, past experience of recoverability and the credit profile of individual or groups of customers.

3. Turnover

All turnover arose within the United Kingdom.

4. Other operating income

	2019	2018
	£	£
Other operating income	5,260	3,309

5. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	495,373	500,846

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	4,217	4,380

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

7. Employees

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	4,199,248	4,017,611
Social security costs	300,088	293,071
Cost of defined contribution scheme	55,235	42,961
	4,554,571	4,353,643

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

	2019 No.	2018 No.
Service management and care staff	237	235

8. Taxation

	2019 £	2018 £
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(87,461)	(18,000)
Changes to tax rates	20,837	-
Adjustments in respect of prior periods	89,114	-
Total deferred tax	22,490	(18,000)
Taxation on profit/(loss) on ordinary activities	22,490	(18,000)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	(219,475)	(707,290)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(41,700)	(134,385)
Effects of:		
Fixed asset differences	33,116	23,871
Adjustments to tax charge in respect of prior periods	99,499	2,538
Deferred tax not recognised	(88,841)	88,841
Other differences leading to an increase (decrease) in the tax charge	-	1,135
Group relief	20,416	-
Total tax charge for the year	22,490	(18,000)

Factors that may affect future tax charges

A reduction to 17% from 1 April 2020 was substantively enacted on 6 September 2017. At Budget 2020, the government announced that the Corporation Tax main rate for the years starting April 2020 and 2021 would remain at 19%.

9. Tangible fixed assets

	Freehold property	Fixtures & fittings	Assets under construction	Total
	£	£	£	£
Cost or valuation				
At 1 July 2018	9,166,170	1,761,717	218,512	11,146,399
Additions	2,885	112,606	81,248	196,739
At 30 June 2019	9,169,055	1,874,323	299,760	11,343,138
Depreciation				
At 1 July 2018	1,160,617	977,815	-	2,138,432
Charge for the year on owned assets	174,296	321,077	5,994	501,367
At 30 June 2019	1,334,913	1,298,892	5,994	2,639,799
Net book value				
At 30 June 2019	7,834,142	575,431	293,766	8,703,339
At 30 June 2018	8,005,553	783,902	218,512	9,007,967

Included in freehold property is freehold land at cost of £287,250 (2018 - £287,250), which is not depreciated.

10. Debtors

	2019 £	2018 £
Trade debtors	731,217	681,992
Amounts owed by group undertakings	-	1,629,690
Prepayments and accrued income	55,333	54,470
	786,550	2,366,152

11. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	39,844	175,002

12. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	41,020	82,362
Amounts owed to group undertakings	6,343,208	8,162,924
Other taxation and social security	78,533	76,968
Other creditors	14,808	20,059
Accruals and deferred income	550,689	485,857
	7,028,258	8,828,170

13. Deferred taxation

	2019	2018
	£	£
At beginning of year	(88,000)	(106,000)
Charged to profit or loss	(22,490)	18,000
At end of year	(110,490)	(88,000)

The provision for deferred taxation is made up as follows:

	2019	2018
	£	£
Accelerated capital allowances	110,490	88,000
	(110,490)	(88,000)

14. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
2 (2018 - 2) Ordinary shares of £1 each	2	2

15. Reserves

Profit & loss account

The profit & loss account comprises accumulated profits and losses less any dividends declared by the balance sheet date.

16. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £55,235 (2018 - £42,961). Contributions totalling £15,578 (2018 - £9,221) were payable to the fund at the balance sheet date and are included in creditors.

17. Related party transactions

The group have taken advantage of the exemption available under Financial Reporting Standard 102 section 33 relating to the disclosure of related party transactions between group companies.

No other transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 102 section 33.

18. Post balance sheet events

Post year end the developments and circumstances around COVID 19 have been identified as a significant but non-adjusting event that would affect the Group. Due to the uncertainties surrounding the potential implications to the group, no estimate can be made at this time as to the financial effect thereof however the impact of this on the entities ability to continue as a going concern has been included within note 1.3.

19. Ultimate parent undertaking and controlling party

The immediate parent company is MHC (Social Care) Limited, a company incorporated in England and Wales.

The company's ultimate parent undertaking is MRA UK Investments Limited, a company registered in England and Wales, which prepares consolidated financial statements. As at 30 June 2019 the company's ultimate controlling party was Mrs J Adey.