COMPANY REGISTRATION NUMBER: 02853138

St. Martin's Care Limited

Financial Statements

31 March 2021

MITCHELLS LIMITED

Chartered accountants & statutory auditor
Swallow House
Parsons Road
Washington
Tyne & Wear
NE37 1EZ

St. Martin's Care Limited

Financial Statements

Year ended 31 March 2021

Contents | **Page**

St. Martin's Care Limited

Officers and Professional Advisers

Director	Mr K Pattison
Registered office	11 Berrymoor Court Northumberland Business Park Cramlington England NE23 7RZ
Auditor	Mitchells Limited Chartered accountants & statutory auditor Swallow House Parsons Road Washington Tyne & Wear NE37 1EZ
Bankers	National Westminster Bank plc The Galleries Washington Tyne and Wear NE38 7SG

The COVID-19 pandemic that has had a profound impact on everyone globally, has also had far reaching effects on adult social care. The sector has faced unprecedented operational challenges from the lack of PPE, no availability of testing for months, residents being discharged from hospitals infected with the virus, and constantly changing and sometimes incomprehensible Government guidance. The impact of the virus on occupancy and admissions has been well documented with all care providers experiencing falls in occupancy, leading to significant reductions in fee income and pressure on margins. Fortunately, there has been financial support for the sector during the pandemic in the form of additional fees from Local Authorities and grants from central Government. Even before the pandemic, the adult social care sector has always been a challenging environment within which to operate. The Company's residents are predominantly Local Authority funded, rather than private self-funders, and Local Authority funding rates continue to be lower than the true cost of care with annual increases below the sector cost of inflation. Increasing demands from regulators and Local Authorities regarding compliance, quality of care and the facilities provided to residents in care homes also place further cost pressure that is not fully compensated for through funding rates. Despite these pre-existing challenges and the additional challenges of COVID-19, the Company is pleased to announce results for the year ended 31 March 2021 that have improved significantly over the previous year.

Turnover has increased by 5.5% to £12.9m. Part of this growth relates to annual fee increases but, significantly, the Company, through decisive actions at the start of the pandemic and effective infection control procedures during, has managed to limit the reduction on occupancy to levels lower than many of its contemporaries. Fees have also been supported by additional COVID-19 related fees paid by Local Authorities. Cost of sales has increased by less than fees resulting in an increase in gross margins from 30.8% to 32.2%. The challenges of the pandemic meant that cost increases were inevitable. Some, such as the early costs for PPE were outside the control of the Company. Other cost increases were as a result of deliberate decisions by the Company to support its employees physically, mentally, and financially. For example, the Company self-funded an additional week's holiday pay for anyone self-isolating to both ensure employees were not financially affected but also to protect residents by ensuring no-one felt the need to attend work with symptoms due to financial worries. The Company further supported its vulnerable employees and increased investment and spending on infection control procedures. Finally, the Company invested in safe visiting facilities long before funding was made available for this purpose. The Company is convinced that the overall effect of these actions was to protect its employees and residents as much as it reasonably could. Administrative expenses fell marginally by 2.2% as a similar focus on cost reduction was applied here as in the previous year. The combined impact of the above is an improvement in profit before taxation from £280,708 in the year ended 31 March 2020 to £743,153 this year.

The Board recognises that this significant improvement in profitability is a result of the combined efforts of all its employees at every level. The Company cannot thank its employees enough for their hard work, dedication and commitment to the Company and its residents throughout this time. These have been very difficult times for everyone, but our employees have stepped up to the challenge remarkably and they are truly heroes alongside their NHS colleagues.

Trading in the first few months of the new financial year has been very encouraging. Despite the challenges of COVID-19, the measures mentioned above have had the desired effect. Current trading is ahead of forecast both in terms of turnover and profitability. Whilst it is too early to say if this will continue throughout the year, the Company is cautiously optimistic for the future and believes it is well placed to take advantage of further improvements in trading as the pandemic comes further under control.

The future will continue to be challenging and the Company is not complacent about this. The significant additional Local Authority COVID-19 support fees ceased completely before the end of the financial year and central Government support is expected to cease as well, other than one relatively small grant provided to support infection control and rapid testing for the period April to June 2021. Beyond this, the Company expects to support itself through profits and cash generated by normal trading and this will depend on how fast occupancy recovers to pre-pandemic levels. Various initiatives to improve occupancy appear to be working and occupancy is currently ahead of forecast. This will be a continual focus for the Company to ensure it can meet its long-term targets.

The pandemic has seen a reduction in self-funded residents and although this may recover as confidence in the sector improves, the Company will in the short term at least, be more dependent on Local Authority admissions. Changes in Local Authority funding levels continue to have an impact on the profitability of the Company, but these are being actively managed by engaging closer with Local Authorities, both directly and via care home association groups.

To ensure the Company can attract admissions in a challenging market, the Company has a strategy of making its homes stand out in their local market and become a destination of choice. Therefore, the Company will continue to invest in its homes to provide the best quality care and manage its day-to-day operations better through the development of improved compliance tools, financial reporting, and the use of KPIs. COVID-19 adds another dimension of risk, but the Company believes it has managed these challenges well so far and will continue to do so.

The Board's strategy continues to be to provide high quality care for residents based on a "home from home" service. The Company's aim is to ensure our residents enjoy a happy, comfortable, and safe environment where their personal needs and independent requirements are considered by our compassionate and highly trained staff. We are all people of high integrity and are committed to excellence in all that we do.

The residents in our homes are elderly and vulnerable. The Company operates and continuously improves its systems to ensure all risks in these areas are effectively and safely managed. The Board is pleased to report continued recognition of this by regulatory authorities.

This report was approved by the board of directors on 16 July 2021 and signed on behalf of the board by:

Mr K Pattison
Director

Registered office:
11 Berrymoor Court
Northumberland Business Park
Cramlington
England
NE23 7RZ

The director presents his report and the financial statements of the company for the year ended 31 March 2021.

Principal activities

The principal activity of the company during the year was that of a care home provider.

Director

The director who served the company during the year was as follows:

Mr K Pattison

Dividends

The director does not recommend the payment of a dividend.

Future developments

The Company has continued to improve its facilities in caring for those residents affected by dementia.

Employment of disabled persons

The Company's policy is to recruit 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 Company's policy is to consult and discuss with employees (through unions, staff councils and at meetings), the matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

There is no employee share sceheme at present, but the director is considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the Company's performance.

Other matters

Material uncertainty and going concern

Whilst the Company is pleased to report increased turnover and profit for the year ended 31 March 2021, there remain several material uncertainties that may negatively affect future trading performance and, ultimately, the Company's ability to continue as a going concern.

During the year ended 31 March 2019, the Company reported a significant loss. The reasons for this were fully explained in the accounts for that particular year. These losses had a significant long-term impact that has only now been resolved. The Company is funded entirely by bank debt that is provided by Natwest under a 5-year term loan that commenced in January 2018. As a result of the losses in the year ended 31 March 2019, the Company has been unable to make any scheduled capital repayments since August 2019 and has required an additional overdraft facility. Consequently, the Company has breached several of its banking covenants and is forecast to continue to do so in the foreseeable future.

The Company is operating in a very challenging sector and, like many care providers, cares for residents whose fees are paid predominantly by Local Authorities or the NHS. It is generally accepted that adult social care has been underfunded for many years by both central and local Government whilst, over the same period, the burden of regulation has increased significantly. During April and May this year, local authorities typically increased fee rates by 2.0% to 3.0% while the national minimum wage increased by 2.2%. This is of particular concern as wages represent more than two thirds of costs and any continued underfunding of local authority fee rates, combined with Government policy to achieve a national minimum wage of £10 plus per hour, will have a detrimental impact on income, profitability, and cash flow.

The COVID-19 pandemic has had a significant impact on the operations of the Company. Care homes have been on the frontline of the pandemic since March 2020, placing additional strain on an already challenging environment. In particular, admissions during 2020 virtually dried up meaning that occupancy fell steadily placing operational and financial stress on the Company. It is only since March 2021 that the Company has seen real growth in occupancy return. Furthermore, the Company has taken deliberate actions to implement policies and procedures designed to protect its staff and residents. This has required significant investments in time and money including financial measures to ensure that our staff are not financially disadvantaged by the virus. Whilst the worst of the pandemic appears to be over, there is considerable uncertainty over future prospects, a possible third wave and the long-term impact on the care sector if COVID-19 remains with us indefinitely. In the short term there is also the risk that Local Authority and central Government COVID-19 support for the sector will be fully withdrawn before occupancy returns to levels required to ensure care providers are viable.

As a result of these matters there is a material uncertainty that may cast doubt upon the Company's ability to continue as a going concern.

In response to these matters, the Company has taken the following actions:

- During 2019 and 2020 significantly strengthened the management team by recruiting proven professionals with the experience and knowledge to lead the Company through these challenging times.

- Presented significant reports to Natwest in December 2019 and January 2021 outlining actions taken to return the Company to profitability and a 5-year forecast and plans to return the Company to trading within banking covenants. The bank has accepted the report and is working with the Company towards a mutually acceptable timetable for delivering the recommended actions.

- Maintained open and regular dialogue with Natwest providing management accounts, reports, and cash forecasts. These forecasts include the suspension of capital repayments for the foreseeable and the bank have accepted these projections. The bank continues to be supportive of the Company in all meetings and discussions and, although it reserves all its rights, has not given any indication that it will withdraw facilities.

- Strengthened relationships with commissioners in local authorities and the NHS to ensure that, as far as possible, fee rate increases can be maximised and any opportunities to increase occupancy are explored. This has resulted in additional occupancy and fees from designated setting status and also discharge to assess.

- Continued to focus very closely on overheads by engaging with key suppliers to ensure any cost savings that can be achieved are considered.

- Implemented significant COVID-19 policies and procedures to protect staff and residents. This has included investing in the home environment and hygiene equipment to reduce the risk of infection and the transmission of the virus.

- Since the start of the pandemic, we have ensured our staff have access to the PPE they need, irrespective of cost and the Company has ensured that our staff receive full pay even when self-isolating to ensure that they are not financial disadvantaged by the virus and do not pose a risk to the business by working when infected.

- Engaged with potential funders, debt providers and other interested parties to consider refinance options.

In addition to the above, the Company has received COVID-19 related financial support from local and central Government as follows:

- Local authorities have provided additional funding equivalent to between 5.0% and 10.0% of standard fee rates. This commenced at the end of March 2020 for most local authorities and ceased at various times, depending on Local Authority, between November 2020 and March 2021.

- During the year ended 31 March 2021, the Government announced several infection control grants specifically for care homes. The Company has received its allocation of these grants which have been used on specific infection control measures.

The above mentioned uncertainties and actions have straddled three financial years. The results for the year ended 31 March 2021 are encouraging. Turnover has increased by 5.5% to £12.9m, and the combined impact of actions taken over the last two years is a turnaround from a loss of £760,979 in the year ended 31 March 2019 to a £280,708 profit in the year ended 31 March 2020 and a profit of £743,152 in the current financial year.

In the 3 months to 30 June 2021, the Company has so far beaten all its forecasts, reporting group turnover of £3.3m and a consolidated profit of £473,456. Whilst not at all complacent, the Company is confident that it is well placed to continue trading at acceptable levels in the future.

Although it cannot be guaranteed that these efforts will be successful, management has determined that the actions it has taken are sufficient to mitigate the uncertainty and has therefore prepared the financial reports on a going concern basis.

Disclosure of information in the strategic report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the Directors have 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.

Director's responsibilities statement

The director is responsible for preparing the strategic report, director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies 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 director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is 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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

A resolution to reappoint Mitchells Limited as auditors will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board of directors on 16 July 2021 and signed on behalf of the board by:

Mr K Pattison
Director

Registered office:
11 Berrymoor Court
Northumberland Business Park
Cramlington
England
NE23 7RZ

Opinion

We have audited the financial statements of St. Martin's Care Limited (the 'company') for the year ended 31 March 2021 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Emphasis of matter

We draw attention to the directors report of the financial statements which describes the going concern and Covid-19 uncertainties. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information. 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's 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 director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the director

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included: - Enquiring of Directors, the Audit and Risk Committee, internal audit, compliance officers and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud. - Reading Board and all relevant Committee minutes.- Considering remuneration incentive schemes (primarily the annual incentive plan) and performance targets for management and Directors, including underlying profit from operations targets for management remuneration. - Using analytical procedures to identify any unusual or unexpected relationships. - Using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Group and Company.

We communicated identified fraud risk factors throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue earned from construction and support services is recorded in the wrong period and the risk that Group and component management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as the estimation of forecast costs and the recognition of variable consideration.

On this audit we do not believe there is a fraud risk related to revenue recognition in the Infrastructure Investments segment based on the contractual nature of the segment's revenue with no significant judgement or estimation required in recognising revenue.

We also performed procedures including:
- Identifying journal entries and other adjustments to test for all full scope components based on specific risk-based criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts, those posted by users who post journals infrequently and those with missing user identification; and - Assessing significant accounting estimates for bias.

We discussed with the Audit and Risk Committee matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication to audit teams of relevant laws and regulations identified at the Group level, and a request to report any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related company legislation), distributable profits legislation, and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and environmental law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Audit and Risk Committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

David Gair (Senior Statutory Auditor)

For and on behalf of
Mitchells Limited
Chartered accountants & statutory auditor
Swallow House
Parsons Road
Washington
Tyne & Wear
NE37 1EZ

16 July 2021

St. Martin's Care Limited

Statement of Income and Retained Earnings

Year ended 31 March 2021

	Note	2021 £	2020 £
Turnover	4	12,895,224	12,222,664
Cost of sales		8,749,881	8,460,124
Gross profit		4,145,343	3,762,540
Administrative expenses		3,408,785	3,483,056
Other operating income	5	18,000	55,000
Operating profit	6	754,558	334,484
Interest payable and similar expenses	9	11,405	53,776
Profit before taxation		743,153	280,708
Tax on profit	10	141,199	61,888
Profit for the financial year and total comprehensive income		601,954	218,820
Retained earnings at the start of the year		2,268,505	2,049,685
Retained earnings at the end of the year		2,870,459	2,268,505

All the activities of the company are from continuing operations.

The notes on pages 19 to 28 form part of these financial statements.

St. Martin's Care Limited

Statement of Financial Position

31 March 2021

	Note	2021 £	£	2020 £
Fixed assets				
Tangible assets	11		**849,885**	913,032
Current assets				
Stocks	12	**10,000**		10,000
Debtors	13	**3,065,998**		3,373,775
Cash at bank and in hand		**490,725**		2,051
		3,566,723		3,385,826
Creditors: amounts falling due within one year	15	**1,415,067**		1,994,497
Net current assets			**2,151,656**	1,391,329
Total assets less current liabilities			**3,001,541**	2,304,361
Creditors: amounts falling due after more than one year	16		–	7,194
Provisions				
Taxation including deferred tax	18		**130,982**	28,562
Net assets			**2,870,559**	2,268,605
Capital and reserves				
Called up share capital	22		**100**	100
Profit and loss account	23		**2,870,459**	2,268,505
Shareholders funds			**2,870,559**	2,268,605

These financial statements were approved by the board of directors and authorised for issue on 16 July 2021, and are signed on behalf of the board by:

Mr K Pattison
Director

Company registration number: 02853138

The notes on pages 19 to 28 form part of these financial statements.

St. Martin's Care Limited

Statement of Cash Flows

Year ended 31 March 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Profit for the financial year		**601,954**	218,820
Adjustments for:			
Depreciation of tangible assets		**146,761**	159,301
Interest payable and similar expenses		**11,405**	53,776
Gains on disposal of tangible assets		**(2,960)**	(4,373)
Tax on profit		**141,199**	61,888
Accrued expenses/(income)		**113,300**	(34,477)
Changes in:			
Trade and other debtors		**307,777**	(98,012)
Trade and other creditors		**133,855**	(441,479)
Cash generated from operations		**1,453,291**	(84,556)
Interest paid		**(11,405)**	(53,776)
Net cash from/(used in) operating activities		**1,441,886**	(138,332)
Cash flows from investing activities			
Purchase of tangible assets		**(87,111)**	(91,967)
Proceeds from sale of tangible assets		**6,457**	14,600
Net cash used in investing activities		**(80,654)**	(77,367)
Cash flows from financing activities			
Payments of finance lease liabilities		**(7,269)**	(18,707)
Net cash used in financing activities		**(7,269)**	(18,707)
Net increase/(decrease) in cash and cash equivalents		**1,353,963**	(234,406)
Cash and cash equivalents at beginning of year		**(863,238)**	(628,832)
Cash and cash equivalents at end of year	**14**	**490,725**	(863,238)

The notes on pages 19 to 28 form part of these financial statements.

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 11 Berrymoor Court, Northumberland Business Park, Cramlington, England, NE23 7RZ.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Judgements and key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other 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 as follows:

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

3. Accounting policies *(continued)*

Income tax *(continued)*

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Fixtures and Fittings	-	15% reducing balance
Motor Vehicles	-	25% reducing balance

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

3. Accounting policies *(continued)*

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

3. Accounting policies *(continued)*

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	2021	2020
	£	£
Rendering of services	**12,895,224**	12,222,664

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Other operating income

	2021	2020
	£	£
Management charges receivable	**18,000**	55,000

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2021	2020
	£	£
Depreciation of tangible assets	**146,761**	159,301
Gains on disposal of tangible assets	**(2,960)**	(4,373)
Impairment of trade debtors	**24**	–

7. Auditor's remuneration

	2021	2020
	£	£
Fees payable for the audit of the financial statements	**8,920**	8,920

8. Staff costs

The average number of persons employed by the company during the year, including the director, amounted to:

	2021	2020
	No.	No.
Administrative staff	9	12
Number of care home staff	434	459
	443	471

The aggregate payroll costs incurred during the year, relating to the above, were:

	2021	2020
	£	£
Wages and salaries	8,600,884	7,503,354
Social security costs	494,457	478,571
Other pension costs	117,958	116,027
	9,213,299	8,097,952

9. Interest payable and similar expenses

	2021	2020
	£	£
Interest on banks loans and overdrafts	9,542	47,858
Interest on obligations under finance leases and hire purchase contracts	1,863	5,918
	11,405	53,776

10. Tax on profit

Major components of tax expense

	2021	2020
	£	£
Current tax:		
UK current tax expense	38,779	–
Deferred tax:		
Origination and reversal of timing differences	102,420	61,888
Tax on profit	141,199	61,888

10. Tax on profit *(continued)*

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is the same as (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021	2020
	£	£
Profit on ordinary activities before taxation	**743,153**	280,708
Profit on ordinary activities by rate of tax	**141,199**	–
Effect of expenses not deductible for tax purposes	**(914)**	874
Effect of capital allowances and depreciation	**5,076**	54,970
Utilisation of tax losses	**(106,582)**	(55,844)
Other tax adjustment to increase/(decrease) tax liability - Deferred tax	**102,420**	61,888
Tax on profit	**141,199**	61,888

11. Tangible assets

	Fixtures and fittings	Motor vehicles	**Total**
	£	£	**£**
Cost			
At 1 April 2020	2,341,845	49,390	**2,391,235**
Additions	87,111	–	**87,111**
Disposals	(90)	(11,000)	**(11,090)**
At 31 March 2021	2,428,866	38,390	**2,467,256**
Depreciation			
At 1 April 2020	1,448,659	29,544	**1,478,203**
Charge for the year	141,892	4,869	**146,761**
Disposals	–	(7,593)	**(7,593)**
At 31 March 2021	1,590,551	26,820	**1,617,371**
Carrying amount			
At 31 March 2021	838,315	11,570	**849,885**
At 31 March 2020	893,186	19,846	913,032

There is hire purchase creditor of £8,010 that is secured against tangible assets.

12. Stocks

	2021	2020
	£	£
Raw materials and consumables	**10,000**	10,000

13. Debtors

	2021	2020
	£	£
Trade debtors	**463,477**	503,879
Amounts owed by group undertakings	**2,273,542**	2,779,117
Prepayments and accrued income	**293,711**	59,011
Other debtors	**35,268**	31,768
	3,065,998	3,373,775

14. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2021	2020
	£	£
Cash at bank and in hand	**490,725**	2,051
Bank overdrafts	–	(865,289)
	490,725	(863,238)

15. Creditors: amounts falling due within one year

	2021	2020
	£	£
Bank loans and overdrafts	–	865,289
Trade creditors	**522,035**	603,818
Accruals and deferred income	**438,582**	325,282
Corporation tax	**38,779**	–
Social security and other taxes	**155,534**	144,790
Obligations under finance leases and hire purchase contracts	**8,011**	8,086
Grant creditor	**71,191**	–
Ringfenced debtors	**125,761**	–
Other creditors	**55,174**	47,232
	1,415,067	1,994,497

The bank overdraft is secured.

16. Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Obligations under finance leases and hire purchase contracts	–	7,194

17. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2021	2020
	£	£
Not later than 1 year	**8,011**	8,086
Later than 1 year and not later than 5 years	**–**	7,194
	8,011	15,280

18. Provisions

	Deferred tax (note 19)
	£
At 1 April 2020	**28,562**
Additions	**102,420**
At 31 March 2021	**130,982**

19. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2021	2020
	£	£
Included in provisions (note 18)	**130,982**	28,562

The deferred tax account consists of the tax effect of timing differences in respect of:

	2021	2020
	£	£
Accelerated capital allowances	**130,982**	28,562

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £117,958 (2020: £116,027).

21. Financial instruments

There are no financial instruments which require disclosure under FRS102.

22. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	**100**	**100**	100	100

23. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

24. Analysis of changes in net debt

	At 1 Apr 2020	Cash flows	At 31 Mar 2021
	£	£	£
Cash at bank and in hand	2,051	488,674	**490,725**
Bank overdrafts	(865,289)	865,289	–
Debt due within one year	(8,086)	75	**(8,011)**
Debt due after one year	(7,194)	7,194	–
	(878,518)	1,361,232	**482,714**

25. Contingencies

There are cross guarantees in place between the company and the other companies within the group.

26. Related party transactions

The Company is related to the following companies due to common control: Beaucette Property Holdings Limited, Darnley Topco (Guernsey) Limited, Corbiere Property Holdings Limited (all registered in Guernsey) and Darnley Bidco Limited.

During the year there have been transactions with these companies under normal commercial terms as follows:

Rent charged by Beaucette Property Holdings Limited and Corbiere Property Holdings Limited was £885,000 and £585,000 (2020: £885,000 and £585,000) respectively.

At the year end the company was owed £12,144,151 (2020: £11,571,094) by Darnley Bidco Limited.

At the year end the company owed £2,252,167 (2020: £1,952,215) to Corbiere Property Holdings Limited and £7,624,442 to Beaucette Property Holdings Limited (2020: £6,839,762).

Included within other debtors, there is a balance relating to Cyclone (Newcastle) Limited and Lorenzo (North East) Limited of £35,268 (2020: £31,768). Kevin Pattison is a 50% shareholder of both companies.

27. Controlling party

The company is a 100% owned subsidiary of Darnley Bidco Limited, a company registered in England and Wales. The Company is under the control of Mr Kevin Pattison by virtue of the fact that he has controlling interest in the ultimate holding company. The ultimate holding company is Darnley Topco (Guernsey) Limited, a company registered in Guernsey.