

Company Registration No. 03943652 (England and Wales)

**AJ & CO.(DEVON) LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2021**

# AJ & CO.(DEVON) LTD

## COMPANY INFORMATION

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<b>Directors</b>	Mrs G M Smallridge	
	Mr B J Smallridge	(Appointed 6 January 2022)
	Mrs K M White	(Appointed 6 January 2022)
<b>Company number</b>	03943652	
<b>Registered office</b>	Ludbrook House Ludbrook Ivybridge Devon United Kingdom PL21 0LL	
<b>Auditor</b>	Azets Audit Services 20 Western Road Launceston Cornwall United Kingdom PL15 7BA	

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# **AJ & CO.(DEVON) LTD**

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# **AJ & CO.(DEVON) LTD**

## **STRATEGIC REPORT**

***FOR THE YEAR ENDED 31 JULY 2021***

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The directors present the strategic report for the year ended 31 July 2021.

### **Fair review of the business**

AJ & Co.(Devon) Ltd runs Meadowside and St Francis Residential and Nursing Home as well as Merafield Nursing Home which provide a total of 69 beds and 40 beds respectively in the South Devon area.

The Company has a significant number of private paying residents, in addition to this, a number are funded by local authorities. The company is in constant dialogue regarding the negotiation of funding levels from local authorities.

The measures the company use to monitor it's progress against its objectives are

- Occupancy rates
- Fee Levels
- Margin
- Staff and Agency Costs

The business is supported by strong future demand based on the demographics of the UK population. The segment of the UK population aged over 80 or over is projected to increase from 3,400,000 in 2020 to 6,100,000 in 2037.

The company's growth strategy is to develop and update their existing facilities and improve the care levels it offers.

Where possible the company seeks to employ well qualified and experienced staff.

### **Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties are considered to relate to competition from other residential and nursing homes, low local authority fees, staff retention, compliance with care standards and interest rates rises.

In order to mitigate these risks, the company: maintains its property to a high standard, endeavours to maintain a healthy dialogue with the local authorities, seeks it engage well trained and experienced staff, and has long term finance in place.

During the year the Covid-19 pandemic continued throughout the United Kingdom and residential and nursing homes are particularly vulnerable. The company continues to take robust measures in accordance with the Governments advice (regular mass testing, provision of personal protective equipment, and cleaning) to minimise the risk of the virus entering the home and to protect its residents and staff. Well over 90% of staff and residents have been fully vaccinated against Covid-19 which substantially reduces the risk of a significant outbreak in the home.

## **AJ & CO.(DEVON) LTD**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 JULY 2021**

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#### **Key performance indicators**

For the year ended 31st July 2021, the turnover of the Meadowside & St Francis Nursing home decreased by 4.3% to £2,967,933 with occupancy rates remaining at 86%. The gross profit margin decreased from 26.5% to 19.2%. Wages and agency costs (excluding administrative and Directors) increased from 67% of turnover to 73% and a net profit of £20,910 (2020 profit of £279,905) was achieved in the year. Due to Covid lockdowns occupancy rates were below the historic norm (well over 90%) at 86%. The home received a good CQC report in February 2021.

The Merafield Nursing Home has shown a small reduction in profit over the past year but still performing consistently. The turnover of Merafield Nursing Home had decreased slightly from £1,524,866 to £1,510,527. Due to Covid lockdowns occupancy rates reduced from 92% to 86.5% which is well below the historic norm (well over 90%). The gross profit margin had also reduced from 23.6% to 16.8% with wages (excluding administrative and Directors) increasing from 69% to 82% of turnover. Overall a net profit before tax of £20,245 was achieved compared to a profit of £46,516 in the previous year. The home received a good CQC report in February 2021.

On behalf of the board

Mrs G M Smallridge  
**Director**

Mrs K M White  
**Director**

Mr B J Smallridge  
**Director**

28 July 2022

# **AJ & CO.(DEVON) LTD**

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 31 JULY 2021***

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The directors present their annual report and financial statements for the year ended 31 July 2021.

### **Principal activities**

The principal activity of the company continued to be that of the operation of a Nursing and Residential Home.

### **Results and dividends**

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £94,200. The directors do not recommend payment of a final dividend.

### **Directors**

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

Mr D J Smallridge (dec'd)	(Deceased 2 January 2022)
Mrs G M Smallridge	
Mr B J Smallridge	(Appointed 6 January 2022)
Mrs K M White	(Appointed 6 January 2022)

### **Statement of disclosure to auditor**

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

On behalf of the board

Mrs G M Smallridge  
**Director**

Mr B J Smallridge  
**Director**

Mrs K M White  
**Director**

28 July 2022

## **AJ & CO.(DEVON) LTD**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 JULY 2021***

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

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

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

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

# AJ & CO.(DEVON) LTD

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF AJ & CO.(DEVON) LTD

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#### Opinion

We have audited the financial statements of AJ & Co.(Devon) Ltd (the 'company') for the year ended 31 July 2021 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including 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 July 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

#### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

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

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

## **AJ & CO.(DEVON) LTD**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF AJ & CO.(DEVON) LTD**

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##### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

##### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

##### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

##### **Use of our report**

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

##### **Mr Andrew Baker FCA (Senior Statutory Auditor)**

##### **for and on behalf of Azets Audit Services**

20 Western Road  
Launceston  
Cornwall  
United Kingdom  
PL15 7BA

29 July 2022

**AJ & CO.(DEVON) LTD****PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 JULY 2021**

		<b>2021</b>	<b>2020</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>		4,478,461	4,628,010
Cost of sales		(3,655,925)	(3,444,296)
<b>Gross profit</b>		822,536	1,183,714
Administrative expenses		(1,001,078)	(887,050)
Other operating income		293,220	116,261
<b>Operating profit</b>	<b>2</b>	114,678	412,925
Interest payable and similar expenses	<b>5</b>	(73,343)	(86,504)
<b>Profit before taxation</b>		41,335	326,421
Tax on profit	<b>6</b>	(8,147)	(62,547)
<b>Profit for the financial year</b>		33,188	263,874

The profit and loss account has been prepared on the basis that all operations are continuing operations.

**AJ & CO.(DEVON) LTD****STATEMENT OF COMPREHENSIVE INCOME*****FOR THE YEAR ENDED 31 JULY 2021***

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	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Profit for the year</b>	33,188	263,874
<b>Other comprehensive income</b>		
Tax relating to other comprehensive income	(43,456)	-
<b>Total comprehensive income for the year</b>	<u>(10,268)</u>	<u>263,874</u>

# AJ & CO.(DEVON) LTD

## BALANCE SHEET

AS AT 31 JULY 2021

	Notes	2021 £	£	2020 £	£
<b>Fixed assets</b>					
Goodwill	8		120,937		162,187
Tangible assets	9		4,550,617		4,580,233
			<u>4,671,554</u>		<u>4,742,420</u>
<b>Current assets</b>					
Stocks	10	22,324		22,370	
Debtors	11	467,660		418,133	
Cash at bank and in hand		7,200		63,253	
		<u>497,184</u>		<u>503,756</u>	
<b>Creditors: amounts falling due within one year</b>	12	(682,011)		(480,351)	
<b>Net current (liabilities)/assets</b>			<u>(184,827)</u>		<u>23,405</u>
<b>Total assets less current liabilities</b>			<u>4,486,727</u>		<u>4,765,825</u>
<b>Creditors: amounts falling due after more than one year</b>	13		(1,813,393)		(2,027,099)
<b>Provisions for liabilities</b>					
Deferred tax liability	15	231,923		192,847	
		<u>(231,923)</u>		<u>(192,847)</u>	
<b>Net assets</b>			<u>2,441,411</u>		<u>2,545,879</u>
<b>Capital and reserves</b>					
Called up share capital	17		375,013		375,013
Share premium account	18		133,170		133,170
Revaluation reserve	19		1,442,391		1,485,847
Capital redemption reserve	20		393,915		393,915
Profit and loss reserves	21		96,922		157,934
<b>Total equity</b>			<u>2,441,411</u>		<u>2,545,879</u>

## **AJ & CO.(DEVON) LTD**

### **BALANCE SHEET (CONTINUED)**

**AS AT 31 JULY 2021**

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The financial statements were approved by the board of directors and authorised for issue on 28 July 2022 and are signed on its behalf by:

Mrs G M Smallridge  
**Director**

Mr B J Smallridge  
**Director**

Mrs K M White  
**Director**

**Company Registration No. 03943652**

# AJ & CO.(DEVON) LTD

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2021

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Profit and loss reserves	Total
Notes	£	£	£	£	£	£
<b>Balance at 1 August 2019</b>	375,013	133,170	1,485,847	393,915	19,680	2,407,625
<b>Year ended 31 July 2020:</b>						
Profit and total comprehensive income for the year	-	-	-	-	263,874	263,874
Dividends	7	-	-	-	(125,620)	(125,620)
<b>Balance at 31 July 2020</b>	375,013	133,170	1,485,847	393,915	157,934	2,545,879
<b>Year ended 31 July 2021:</b>						
Profit for the year	-	-	-	-	33,188	33,188
Other comprehensive income:						
Tax relating to other comprehensive income	-	-	(43,456)	-	-	(43,456)
Total comprehensive income for the year					33,188	(10,268)
Dividends	7	-	-	-	(94,200)	(94,200)
<b>Balance at 31 July 2021</b>	375,013	133,170	1,442,391	393,915	96,922	2,441,411

# AJ & CO.(DEVON) LTD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2021

	Notes	2021 £	£	2020 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	26	253,004		523,150	
Interest paid		(73,343)		(86,504)	
Income taxes (paid)/refunded		-		6,129	
<b>Net cash inflow from operating activities</b>		179,661		442,775	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(10,980)		(24,421)	
<b>Net cash used in investing activities</b>		(10,980)		(24,421)	
<b>Financing activities</b>					
Repayment of bank loans		(198,024)		(138,009)	
Payment of finance leases obligations		(1,169)		(6,753)	
Dividends paid		(94,200)		(125,620)	
<b>Net cash used in financing activities</b>		(293,393)		(270,382)	
<b>Net (decrease)/increase in cash and cash equivalents</b>		(124,712)		147,972	
Cash and cash equivalents at beginning of year		63,253		(84,719)	
<b>Cash and cash equivalents at end of year</b>		(61,459)		63,253	
<b>Relating to:</b>					
Cash at bank and in hand		7,200		63,253	
Bank overdrafts included in creditors payable within one year		(68,659)		-	

# AJ & CO.(DEVON) LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2021

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### 1 Accounting policies

#### Company information

AJ & Co.(Devon) Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Ludbrook House, Ludbrook, Ivybridge, Devon, United Kingdom, PL21 0LL.

#### 1.1 Accounting convention

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

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

#### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The Directors have considered the current Covid-19 pandemic and the associated impact and risks to the business and have put in place measures (see note 26) to minimise these risks. Well over 90% of staff and residents have been fully vaccinated against Covid-19 which substantially reduces the risk of a significant outbreak in the care homes. They have also reviewed the Company's cash flow requirements, and together with unused banking facilities and the ongoing support of the company's bankers, they consider that they would be able to continue in operation for a period of not less than 12 months from the date of approval of the financial statements.

#### 1.3 Turnover

Turnover represents gross income from residents occupation of rooms and the provision of care and nursing facilities. It accrues on a time basis, and is recognised by the company as such. The Company is not VAT registered.

#### 1.4 Intangible fixed assets - goodwill

Goodwill, being the amount paid in connection with the purchase of Meadowside and St Francis in 2004 is being amortised evenly over it's estimated useful life of twenty years.

Goodwill, being the amount paid in connection with the purchase of Merafield in 2015 is being amortised evenly over it's estimated useful life of 10 years.

#### 1.5 Tangible fixed assets

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

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

Fixtures and fittings	20% Reducing Balance
Motor vehicles	25% Reducing Balance

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

# AJ & CO.(DEVON) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

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### 1 Accounting policies

(Continued)

No depreciation is charged on the Company's properties as depreciation is deemed to be immaterial. The buildings are expected to have long economic lives and very high residual values. The Company's property known as Meadowside/St Francis was revalued in 2012 and this is now regarded as "deemed historic cost" under FRS102.

#### 1.6 Stocks

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

#### 1.7 Cash at bank and in hand

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

#### 1.8 Financial instruments

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

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

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

##### **Basic financial assets**

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

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

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

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

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

# AJ & CO.(DEVON) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

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### 1 Accounting policies

(Continued)

#### ***Derecognition of financial assets***

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

#### ***Classification of financial liabilities***

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

#### ***Basic financial liabilities***

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

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

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

#### ***Other financial liabilities***

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### ***Derecognition of financial liabilities***

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

### 1.9 Taxation

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

#### ***Current tax***

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

# AJ & CO.(DEVON) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

### 1 Accounting policies

(Continued)

#### **Deferred tax**

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

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

#### **1.10 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### **1.11 Leases**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated lives or the lease term, whichever is shorter.

The interest element of these obligations are charged to the profit & loss over the relevant period. The capital element of the future payments are treated as liabilities.

#### **1.12 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

### 2 Operating profit

	2021	2020
Operating profit for the year is stated after charging/(crediting):	£	£
Government grants	(293,220)	(116,261)
Fees payable to the company's auditor for the audit of the company's financial statements	9,000	8,400
Depreciation of owned tangible fixed assets	40,595	44,818
Depreciation of tangible fixed assets held under finance leases	-	3,406
Amortisation of intangible assets	41,250	41,250
	<u>          </u>	<u>          </u>

## AJ & CO.(DEVON) LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

#### 3 Employees

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

	2021 Number	2020 Number
Nursing, catering and cleaners	166	182
Administrative	10	7
Total	176	189

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	3,080,713	2,961,544
Social security costs	216,824	198,590
Pension costs	53,174	48,212
	3,350,711	3,208,346

#### 4 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	75,000	75,000
Company pension contributions to defined contribution schemes	1,578	485
	76,578	75,485

#### 5 Interest payable and similar expenses

	2021 £	2020 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	73,333	86,183
<b>Other finance costs:</b>		
Interest on finance leases and hire purchase contracts	10	321
	73,343	86,504

#### 6 Taxation

	2021 £	2020 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	12,527	26,654

## AJ & CO.(DEVON) LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

#### 6 Taxation (Continued)

	2021 £	2020 £
<b>Deferred tax</b>		
Origination and reversal of timing differences	(4,380)	35,893
	<u>          </u>	<u>          </u>
Total tax charge	8,147	62,547
	<u>          </u>	<u>          </u>

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

	2021 £	2020 £
Profit before taxation	41,335	326,421
	<u>          </u>	<u>          </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	7,854	62,020
Tax effect of expenses that are not deductible in determining taxable profit	746	527
Tax effect of utilisation of tax losses not previously recognised	-	(38,599)
Permanent capital allowances in excess of depreciation	3,927	2,706
Deferred tax	(4,380)	35,893
	<u>          </u>	<u>          </u>
Taxation charge for the year	8,147	62,547
	<u>          </u>	<u>          </u>

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021 £	2020 £
Deferred tax arising on:		
Revaluation of property	43,456	-
	<u>          </u>	<u>          </u>

#### 7 Dividends

	2021 £	2020 £
Interim paid	94,200	125,620
	<u>          </u>	<u>          </u>

# AJ & CO.(DEVON) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

### 8 Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 August 2020 and 31 July 2021	675,000
<b>Amortisation and impairment</b>	
At 1 August 2020	512,813
Amortisation charged for the year	41,250
At 31 July 2021	554,063
<b>Carrying amount</b>	
At 31 July 2021	120,937
At 31 July 2020	162,187

### 9 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Computers £	Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 August 2020	4,390,955	642,025	57,988	41,641	5,132,609
Additions	-	8,383	2,597	-	10,980
At 31 July 2021	4,390,955	650,408	60,585	41,641	5,143,589
<b>Depreciation and impairment</b>					
At 1 August 2020	-	488,244	33,354	30,779	552,377
Depreciation charged in the year	-	32,433	5,446	2,716	40,595
At 31 July 2021	-	520,677	38,800	33,495	592,972
<b>Carrying amount</b>					
At 31 July 2021	4,390,955	129,731	21,785	8,146	4,550,617
At 31 July 2020	4,390,955	153,782	24,634	10,862	4,580,233

The land and buildings known as Meadowside & St Francis were revalued during the year ended 31st July 2012 to £3,375,000. This valuation was completed by Jones Lang LaSalle, an independent valuers not connected with the company on the basis of market value.

If disposed of at this valuation, the corporation tax arising would be £181,068. This is now included within the deferred tax provision in the accordance with FRS 102.

The revaluation surplus is disclosed in note 19.

# AJ & CO.(DEVON) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

### 9 Tangible fixed assets

(Continued)

If revalued assets were stated on an historical cost basis rather than a fair value basis, the totals amounts included would have been as follows:

	2021 £	2020 £
Cost	1,748,964	1,748,964

### 10 Stocks

	2021 £	2020 £
Stocks	22,324	22,370

### 11 Debtors

	2021 £	2020 £
<b>Amounts falling due within one year:</b>		
Trade debtors	138,126	99,390
Other debtors	318,743	318,743
Prepayments and accrued income	10,791	-
	467,660	418,133

### 12 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	14	278,394	194,053
Obligations under finance leases		-	1,169
Trade creditors		172,420	97,136
Corporation tax		39,181	26,654
Other taxation and social security		60,835	53,934
Other creditors		105,830	96,435
Accrued expenses		25,351	10,970
		682,011	480,351

### 13 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	14	1,813,393	2,027,099

## AJ & CO.(DEVON) LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

#### 14 Loans and overdrafts

	2021 £	2020 £
Bank loans	2,023,128	2,221,152
Bank overdrafts	68,659	-
	<u>2,091,787</u>	<u>2,221,152</u>
Payable within one year	278,394	194,053
Payable after one year	<u>1,813,393</u>	<u>2,027,099</u>

The above debts are secured by a 1st legal charge dated 08/01/2004 over the freehold property of Meadowside & St Francis, Plymbridge Road, Plympton and a 1st legal charge dated 29/05/2015 over the freehold of Merafield View Nursing Home, Underlane, Plympton.

The debts are also secured against an unlimited debenture dated 19/07/2000 incorporating a fixed and floating charge and the right of set off.

#### 15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2021 £	Liabilities 2020 £
<b>Balances:</b>		
Accelerated capital allowances	50,856	55,236
Land and buildings	<u>181,067</u>	<u>137,611</u>
	<u>231,923</u>	<u>192,847</u>
<b>Movements in the year:</b>		2021 £
Liability at 1 August 2020		192,847
Credit to profit or loss		(4,380)
Effect of change in tax rate - profit or loss		<u>43,456</u>
Liability at 31 July 2021		<u>231,923</u>

# AJ & CO.(DEVON) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

### 16 Retirement benefit schemes

	2021 £	2020 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	53,174	48,212

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

### 17 Share capital

	2021 Number	2020 Number	2021 £	2020 £
<b>Ordinary share capital Issued and fully paid</b>				
Ordinary of £1 each	375,013	375,013	375,013	375,013

### 18 Share premium account

	2021 £	2020 £
At the beginning and end of the year	133,170	133,170

### 19 Revaluation reserve

	2021 £	2020 £
At beginning of year	1,485,847	1,485,847
Deferred tax on revaluation of tangible assets	(43,456)	-
At end of year	1,442,391	1,485,847

### 20 Capital redemption reserve

	2021 £	2020 £
At the beginning and end of the year	393,915	393,915

### 21 Profit and loss reserves

	2021 £	2020 £
At the beginning of the year	157,934	19,680
Profit for the year	33,188	263,874
Dividends declared and paid in the year	(94,200)	(125,620)
At the end of the year	96,922	157,934

## AJ & CO.(DEVON) LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

#### 22 Related party transactions

##### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2021 £	2020 £
Aggregate compensation	167,884	157,499

##### Transactions with related parties

During the year the company entered into the following transactions with related parties:

Eggs were supplied on an arms length basis to both Meadowside and Merafield homes during the year amounting to £3,675 and £1,470 respectively from 'Ludbrook Ladies'. These were provided by a farming business run by Mr D Smallridge, a director of the Company during the year.

Meat was supplied on an arms length basis to both Meadowside and Merafield homes during the year amounting to £31,657 & £27,200 respectively from 'Ludbrook Butchers'. These were provided by a business run by a new director, Mr B Smallridge, the son of Mr D Smallridge.

Hampers were supplied on an arms length basis to both Meadowside and Merafield homes during the year amounting to £3,360 & £1,670 respectively from 'Ludbrook Hampers'. These were provided by a business run by a new director, Mr B Smallridge, the son of Mr D Smallridge.

#### 23 Directors' transactions

During the year the Company operated a loan account with Mr D Smallridge, a director. The loan is interest free and repayable on demand. The loan of £254,994 is owing to the Company and is included in Other Debtors.

£55,000 of the loan to Mr D Smallridge relates to a loan to the director's farming business.

#### 24 Ultimate controlling party

The controlling party was Mr D Smallridge during the year.

#### 25 COVID-19

The United Kingdom has continued to suffer from the Covid-19 pandemic during the financial year as well as since the year end to the date of approval of these financial statements. The company has only had a handful of infections to date, and has put in place robust measures in accordance with the Government's recommendations to prevent the virus entering the home, including the provision of personal protective equipment for all staff, restricting visiting, regular testing of all staff and residents, thorough cleansing and disinfecting of the home. Well over 90% of staff and residents have been fully vaccinated against Covid-19 which substantially reduces the risk of a significant outbreak in the home. The directors are committed to doing everything possible to minimise the risks of an infection. This is an ongoing situation and the directors are adopting their strategy to manage the ever-changing situation as effectively as possible.

# AJ & CO.(DEVON) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2021

### 26 Cash generated from operations

	2021 £	2020 £
Profit for the year after tax	33,187	263,874
<b>Adjustments for:</b>		
Taxation charged	8,147	62,547
Finance costs	73,343	86,504
Amortisation and impairment of intangible assets	41,250	41,250
Depreciation and impairment of tangible fixed assets	40,595	48,224
<b>Movements in working capital:</b>		
Decrease/(increase) in stocks	46	(3,258)
(Increase)/decrease in debtors	(49,527)	69
Increase in creditors	105,961	23,941
<b>Cash generated from operations</b>	<b>253,002</b>	<b>523,151</b>

### 27 Analysis of changes in net debt

	1 August 2020 £	Cash flows £	31 July 2021 £
Cash at bank and in hand	63,253	(56,053)	7,200
Bank overdrafts	-	(68,659)	(68,659)
	63,253	(124,712)	(61,459)
Borrowings excluding overdrafts	(2,221,152)	198,024	(2,023,128)
Obligations under finance leases	(1,169)	1,169	-
	(2,159,068)	74,481	(2,084,587)

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.