

Company registration number 03943652 (England and Wales)

**AJ & CO.(DEVON) LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2022**

# AJ & CO.(DEVON) LTD

## COMPANY INFORMATION

---

<b>Directors</b>	Mrs G M Smallridge Mr B J Smallridge Mrs K M White	(Appointed 6 January 2022) (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>	Bishop Fleming LLP 2nd Floor Stratus House Emperor Way Exeter Business Park Exeter Devon EX1 3QS
----------------	--

---

# AJ & CO.(DEVON) LTD

## CONTENTS

---

	Page
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 8
Profit and loss account	9
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14 - 26

---

# AJ & CO.(DEVON) LTD

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 JULY 2022**

---

The directors present the strategic report for the year ended 31 July 2022.

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

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

The Company has a 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 its 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 its 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 properties to a high standard, endeavours to maintain a healthy dialogue with the local authorities, seeks to 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.

### **Key performance indicators**

For the year ended 31st July 2022, the turnover of the Meadowside & St Francis Nursing home was maintained at the same level as the previous year totalling £2,959,052 with occupancy rates at approximately 88%, below the historic norm (well over 90%) . The gross profit margin decreased from 19.2% to 10.1%. Wages and agency costs (excluding administrative and Directors) increased from 73% of turnover to 82% and a net loss of £239,087 excluding impairment loss (2021 net profit of £20,910) was sustained in the year. The Meadowside home received a good CQC report in February 2021 which is the latest inspection to date.

The turnover of Merafield View Nursing Home had increased by 6% from £1,510,527 to £1,596,581 for the year ended 31st July 2022. The occupancy rates were maintained to similar levels in comparison to the previous year at 86% which is well below the historic norm (well over 90%). The gross profit margin had also reduced from 16.8% to 12.3% with wages (excluding administrative and Directors) increasing from 74% to 80% of turnover. Overall a net loss was sustained totalling £85,835 compared to a profit of £20,425 in the previous year. The Merafield home received a good CQC report in February 2021 which is the latest inspection to date.

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

**STRATEGIC REPORT (CONTINUED)**  
***FOR THE YEAR ENDED 31 JULY 2022***

---

On behalf of the board

Mr B J Smallridge  
**Director**

28 July 2023

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

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 JULY 2022**

---

The directors present their annual report and financial statements for the year ended 31 July 2022.

#### **Principal activities**

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

#### **Results and dividends**

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £30,700. 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:

Mrs G M Smallridge

Mr B J Smallridge

(Appointed 6 January 2022)

Mrs K M White

(Appointed 6 January 2022)

Mr D J Smallridge (dec'd)

(Resigned 2 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

Mr B J Smallridge

**Director**

28 July 2023

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

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 JULY 2022***

---

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**

---

#### **Opinion**

We have audited the financial statements of AJ & Co (Devon) Ltd (the 'company') for the year ended 31 July 2022, 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 the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Material uncertainty relating to going concern**

We draw attention to note 1.2 in the financial statements, which indicates that there were breaches of the conditions of the loan agreements with the company's lending bank during the financial year ended 31 July 2022 and that there have been further breaches since the year end. Although the lending bank has confirmed that it is not its current intention to exercise its right to request repayment of the loan, the company does not have the available liquidity to repay the loan were it to fall due. As stated in note 1.2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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



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

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

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

---

##### **Other information**

The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report and financial statements. 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 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 Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and Directors Report has been prepared in accordance with applicable legal requirements.

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

In the light of our knowledge and understanding of the 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 directors remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

As explained more fully the Statement of Directors' Responsibilities, 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 are 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.

## AJ & CO.(DEVON) LTD

### INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

---

##### **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. In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the sector, control environment and the company's performance;
- results of our enquiries of management and the directors, about their own identification and assessment of the risk of irregularities;  
any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to: identifying, evaluating and complying with laws and regulations and whether there were
- any instances of non-compliance; detecting and responding to the risks of fraud and whether they have any knowledge of any actual, suspected or alleged fraud; the internal controls established to mitigate risks of non-compliance with laws and regulations; and
- The matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we have considered the opportunities and incentives that may exist within the organisation for fraud and identified the highest area of risk to be in relation to revenue recognition, with a particular risk in relation to year-end cut off. In common with all audits under the ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, FRS 102 and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group and Company's ability to operate or to avoid a material penalty. These included Care Quality Commission regulations, health and safety regulations and employment legislation.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- reviewing the financial statement disclosures and testing to supporting documentation to assess the recognition of revenue;
- audit procedures to gain assurance that these financial statements are materially correct in relation to the company's compliance with laws and regulations;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

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

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

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

---

We also communicated relevant identified laws and regulations and potential fraud risks to the engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from an error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://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.

**Mark Munro FCA (Senior Statutory Auditor)**  
**For and on behalf of Bishop Fleming LLP**

28 July 2023

**Chartered Accountants**  
**Statutory Auditor**

2nd Floor Stratus House  
Emperor Way  
Exeter Business Park  
Exeter  
Devon  
EX1 3QS

## AJ & CO.(DEVON) LTD

### PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2022

		2022	2021
	Notes	£	£
Turnover		4,555,632	4,478,461
Cost of sales		(4,060,522)	(3,655,925)
<b>Gross profit</b>		<b>495,110</b>	<b>822,536</b>
Administrative expenses		(1,915,895)	(1,001,078)
Other operating income		213,901	293,220
<b>Operating (loss)/profit</b>	<b>3</b>	<b>(1,206,884)</b>	<b>114,678</b>
Interest payable and similar expenses	<b>6</b>	(75,545)	(73,343)
<b>(Loss)/profit before taxation</b>		<b>(1,282,429)</b>	<b>41,335</b>
Tax on (loss)/profit	<b>7</b>	277,403	(8,147)
<b>(Loss)/profit for the financial year</b>		<b>(1,005,026)</b>	<b>33,188</b>

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 2022**

---

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
(Loss)/profit for the year	(1,005,026)	33,188
<b>Other comprehensive income</b>		
Tax relating to other comprehensive income	-	(43,456)
<b>Total comprehensive income for the year</b>	<b>(1,005,026)</b>	<b>(10,268)</b>

---

# AJ & CO.(DEVON) LTD

## BALANCE SHEET

AS AT 31 JULY 2022

	Notes	2022 £	£	2021 £	£
<b>Fixed assets</b>					
Goodwill	10		79,688		120,937
Tangible assets	11		3,564,128		4,550,617
			<u>3,643,816</u>		<u>4,671,554</u>
<b>Current assets</b>					
Stocks	12	18,084		22,324	
Debtors	13	531,678		467,660	
Cash at bank and in hand		2,610		7,200	
		<u>552,372</u>		<u>497,184</u>	
<b>Creditors: amounts falling due within one year</b>	14	(2,790,503)		(682,011)	
<b>Net current liabilities</b>			<u>(2,238,131)</u>		<u>(184,827)</u>
<b>Total assets less current liabilities</b>			1,405,685		4,486,727
<b>Creditors: amounts falling due after more than one year</b>	15		-		(1,813,393)
<b>Provisions for liabilities</b>					
Deferred tax liability	17	-		231,923	
		<u>-</u>	<u>-</u>	<u>231,923</u>	<u>(231,923)</u>
<b>Net assets</b>			<u>1,405,685</u>		<u>2,441,411</u>
<b>Capital and reserves</b>					
Called up share capital	19		375,013		375,013
Share premium account	20		133,170		133,170
Revaluation reserve	21		665,951		1,442,391
Capital redemption reserve	22		393,915		393,915
Profit and loss reserves	23		(162,364)		96,922
<b>Total equity</b>			<u>1,405,685</u>		<u>2,441,411</u>

The financial statements were approved by the board of directors and authorised for issue on 28 July 2023 and are signed on its behalf by:

Mr B J Smallridge  
Director

Company Registration No. 03943652

# AJ & CO.(DEVON) LTD

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JUL Y 2022

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Profit and loss reserves	Total
Notes	£	£	£	£	£	£
<b>Balance at 1 August 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	-	-	(43,456)	-	33,188	(10,268)
Dividends	-	-	-	-	(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
<b>Year ended 31 July 2022:</b>						
Loss and total comprehensive income for the year	-	-	-	-	(1,005,026)	(1,005,026)
Dividends	-	-	-	-	(30,700)	(30,700)
Transfer	-	-	(776,440)	-	776,440	-
<b>Balance at 31 July 2022</b>	375,013	133,170	665,951	393,915	(162,364)	1,405,685

# AJ & CO.(DEVON) LTD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2022

		2022		2021	
	Notes	£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	29	210,387		253,004	
Interest paid		(75,545)		(73,343)	
Income taxes paid		(26,654)		-	
<b>Net cash inflow from operating activities</b>		108,188		179,661	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(4,199)		(10,980)	
<b>Net cash used in investing activities</b>		(4,199)		(10,980)	
<b>Financing activities</b>					
Repayment of bank loans		(212,101)		(198,024)	
Payment of finance leases obligations		-		(1,169)	
Dividends paid		(30,700)		(94,200)	
<b>Net cash used in financing activities</b>		(242,801)		(293,393)	
<b>Net decrease in cash and cash equivalents</b>		(138,812)		(124,712)	
Cash and cash equivalents at beginning of year		(61,459)		63,253	
<b>Cash and cash equivalents at end of year</b>		(200,271)		(61,459)	
<b>Relating to:</b>					
Cash at bank and in hand		2,610		7,200	
Bank overdrafts included in creditors payable within one year		(202,881)		(68,659)	



# AJ & CO.(DEVON) LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2022

---

### 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

The directors assess whether the use of the going concern basis of preparation of the financial statements is appropriate. As part of this assessment, the directors also consider whether any material uncertainties exist that may cast significant doubt on the ability of the Company to continue as a going concern for the foreseeable future.

During the year ended 31 July 2022, the Company incurred a loss of £324,922 (2021: profit of £41,335), excluding an impairment of the carrying value of Meadowside and St Francis of £957,507 (2021: £Nil).

As a result of the losses incurred in 2022, the Company breached the covenants of the loan agreement with its bankers during the financial year and further breaches have occurred since the year-end. Whilst the lending bank has confirmed that it is not its current intention to exercise its right to request repayment of the loan, the facility is now repayable on demand. The Company does not have the available liquidity to repay the debt and as such, there is a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

#### 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 its 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 its 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 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 2022

### 1 Accounting policies

(Continued)

No depreciation is charged on the Company's properties as depreciation is deemed to be immaterial due to the buildings expecting to have long economic lives. The Company's property known as Meadowside & St Francis was revalued in 2012 and this was regarded as "deemed cost" on transition to 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.

##### **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.

##### **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.

# AJ & CO.(DEVON) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 1 Accounting policies

(Continued)

#### **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.

#### **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.

#### **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.

# AJ & CO.(DEVON) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 1 Accounting policies

(Continued)

#### 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 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities include the inputs and estimates used in determining the value of the properties.

### 3 Operating (loss)/profit

	2022	2021
	£	£
Operating (loss)/profit for the year is stated after charging/(crediting):		
Government grants	(213,901)	(293,220)
Fees payable to the company's auditor for the audit of the company's financial statements	15,000	9,000
Depreciation of owned tangible fixed assets	33,180	40,595
Impairment of owned tangible fixed assets (see note 9)	957,507	-
Amortisation of intangible assets	41,250	41,250

## AJ & CO.(DEVON) LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

#### 4 Employees

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

	2022 Number	2021 Number
Nursing, catering and cleaners	149	166
Administrative	9	10
Total	158	176

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	2,875,048	3,080,713
Social security costs	200,430	216,824
Pension costs	49,046	53,174
	3,124,524	3,350,711

#### 5 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	104,615	75,000
Company pension contributions to defined contribution schemes	2,371	1,578
	106,986	76,578

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2021 - 2).

#### 6 Interest payable and similar expenses

	2022 £	2021 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	75,545	73,333
<b>Other finance costs:</b>		
Interest on finance leases and hire purchase contracts	-	10
	75,545	73,343

## AJ & CO.(DEVON) LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

#### 7 Taxation

	2022 £	2021 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	(12,527)	12,527
<b>Deferred tax</b>		
Origination and reversal of timing differences	(264,876)	(4,380)
Total tax (credit)/charge	(277,403)	8,147

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

	2022 £	2021 £
(Loss)/profit before taxation	(1,282,429)	41,335
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(243,662)	7,854
Tax effect of expenses that are not deductible in determining taxable profit	183,497	746
Unutilised tax losses carried forward	43,592	-
Permanent capital allowances in excess of depreciation	4,045	3,927
Deferred tax	(264,875)	(4,380)
Taxation (credit)/charge for the year	(277,403)	8,147

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

	2022 £	2021 £
Deferred tax arising on:		
Revaluation of property	-	43,456

#### 8 Dividends

	2022 £	2021 £
Interim paid	30,700	94,200

The company had made a profit in the first 5 months in the year and had positive distributable reserves. When considering the future financial prospects of the company there were no apparent or foreseen circumstances, at the time of distributing these dividends, that the Company would encounter a downturn of performance for the remainder of the financial year.

## AJ & CO.(DEVON) LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

#### 9 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2022 £	2021 £
In respect of:			
Property, plant and equipment	11	957,507	-
Recognised in:			
Administrative expenses		957,507	-

The impairment of a property known as Meadowside and St Francis has been recognised due to a significant decline in market value evidenced by a professional valuation undertaken in June 2022 by Christie & Co, as well as due to adverse trading conditions.

#### 10 Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 August 2021 and 31 July 2022	675,000
<b>Amortisation and impairment</b>	
At 1 August 2021	554,063
Amortisation charged for the year	41,250
At 31 July 2022	595,312
<b>Carrying amount</b>	
At 31 July 2022	79,688
At 31 July 2021	120,937

# AJ & CO.(DEVON) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 11 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Computers £	Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 August 2021	4,390,955	650,408	60,585	41,641	5,143,589
Additions	-	4,199	-	-	4,199
At 31 July 2022	4,390,955	654,607	60,585	41,641	5,147,788
<b>Depreciation and impairment</b>					
At 1 August 2021	-	520,677	38,800	33,495	592,972
Depreciation charged in the year	-	26,786	4,357	2,037	33,180
Impairment losses	957,507	-	-	-	957,507
At 31 July 2022	957,507	547,463	43,157	35,532	1,583,659
<b>Carrying amount</b>					
At 31 July 2022	3,433,448	107,144	17,428	6,109	3,564,129
At 31 July 2021	4,390,955	129,731	21,785	8,146	4,550,617

More information on impairment movements in the year is given in note 9.

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 valuer not connected with the company on the basis of market value. Before transitioning to FRS 102, the company had adopted a policy of revaluing freehold land and buildings and they were stated at the revalued amount. The original cost was £1,748,964. On transition to FRS 102 the Company adopted the cost model in respect of the measurement of freehold land and buildings and the value at that date become deemed cost.

The property was impaired during the year ended 31st July 2022 to a value of £2,426,000 resulting in an impairment loss of £957,507 that has been recognised in admin expenses. A related deferred tax liability of £181,067 was released to deferred tax expense. If disposed of at this valuation, the corporation tax arising would be nil.

The revaluation surplus is disclosed in note 21.

### 12 Stocks

	2022 £	2021 £
Stocks	18,084	22,324



# AJ & CO.(DEVON) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 13 Debtors

	2022	2021
	£	£
<b>Amounts falling due within one year:</b>		
Trade debtors	177,572	138,126
Other debtors	318,743	318,743
Prepayments and accrued income	2,410	10,791
	<u>498,725</u>	<u>467,660</u>
	<b>2022</b>	<b>2021</b>
	£	£
<b>Amounts falling due after more than one year:</b>		
Deferred tax asset (note 17)	32,953	-
	<u>32,953</u>	<u>-</u>
<b>Total debtors</b>	<u>531,678</u>	<u>467,660</u>

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

	Notes	2022	2021
		£	£
Bank loans and overdrafts	16	2,013,908	278,394
Trade creditors		466,496	172,420
Corporation tax		-	39,181
Other taxation and social security		81,605	60,835
Other creditors		195,786	105,830
Accrued expenses		32,708	25,351
		<u>2,790,503</u>	<u>682,011</u>

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

	Notes	2022	2021
		£	£
Bank loans and overdrafts	16	-	1,813,393
		<u>-</u>	<u>1,813,393</u>

## AJ & CO.(DEVON) LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

#### 16 Loans and overdrafts

	2022 £	2021 £
Bank loans	1,811,027	2,023,128
Bank overdrafts	202,881	68,659
	<u>2,013,908</u>	<u>2,091,787</u>
Payable within one year	2,013,908	278,394
Payable after one year	-	1,813,393
	<u>-</u>	<u>1,813,393</u>

The above debts are secured by a 1st legal charge over the freehold property of Meadowside & St Francis, Plymbridge Road, Plympton and a 1st legal charge over the freehold of Merafield View Nursing Home, Underlane, Plympton.

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

The Company breached the conditions of the loan agreement with its bankers during the financial year. Whilst the lending bank has confirmed that it is not its current intention to exercise its right to request repayment of the loan, the facility has been shown as falling due within one year.

#### 17 Deferred taxation

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

	Liabilities 2022 £	Liabilities 2021 £	Assets 2022 £	Assets 2021 £
<b>Balances:</b>				
Accelerated capital allowances	-	50,856	(25,347)	-
Tax losses	-	-	57,358	-
Land and buildings	-	181,067	-	-
Employer pension contribution obligations	-	-	942	-
	<u>-</u>	<u>231,923</u>	<u>32,953</u>	<u>-</u>
				<b>2022 £</b>
<b>Movements in the year:</b>				
Liability at 1 August 2021				231,923
Credit to profit or loss				(264,876)
				<u>(32,953)</u>
Asset at 31 July 2022				<u>(32,953)</u>

# AJ & CO.(DEVON) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 18 Retirement benefit schemes

	2022	2021
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	49,046	53,174

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.

There was outstanding contributions included as a liability within the balance sheet at the year end totaling £3,770 in relation to the pension scheme.

### 19 Share capital

	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary of £1 each	375,013	375,013	375,013	375,013

### 20 Share premium account

	2022	2021
	£	£
At the beginning and end of the year	133,170	133,170

### 21 Revaluation reserve

	2022	2021
	£	£
At beginning of year	1,442,391	1,485,847
Deferred tax on tangible assets	-	(43,456)
Transfer to retained earnings	(776,440)	-
At end of year	665,951	1,442,391

### 22 Capital redemption reserve

	2022	2021
	£	£
At the beginning and end of the year	393,915	393,915

## AJ & CO.(DEVON) LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

#### 23 Profit and loss reserves

	2022 £	2021 £
At the beginning of the year	96,922	157,934
(Loss)/profit for the year	(1,005,026)	33,188
Dividends declared and paid in the year	(30,700)	(94,200)
Transfer from revaluation reserve	776,440	-
	<hr/>	<hr/>
At the end of the year	(162,364)	96,922
	<hr/>	<hr/>

#### 24 Related party transactions

##### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2022 £	2021 £
Aggregate compensation	190,375	167,884
	<hr/>	<hr/>

##### Transactions with related parties

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

Meat was supplied on an arms length basis to both care homes during the year amounting to £58,374 (2021: £58,857) from 'Ludbrook Butchers' (a business run by a director, Mr B Smallridge).

Hampers were supplied on an arms length basis to both care homes during the year amounting to £4,650 (2021: £5,030) from 'Ludbrook Hampers' (a business run by a director, Mr B Smallridge).

Remuneration of £65,477 (2021: £69,387) was paid to close family members of a director in relation to their employment at the company.

#### 25 Ultimate controlling party

The controlling party was the estate of Mr D Smallridge (deceased).

#### 26 Directors' transactions

During the year the Company operated a loan account with Mr D Smallridge, a director who passed away in January 2022. The loan is interest free and repayable on demand. The loan of £254,994 (2021: £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 previous director's farming business.

# AJ & CO.(DEVON) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 27 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 Government regulations have been considerably relaxed but the threat still remains in the care sector, as it does in wider society. Robust risk assessments are present within the business, any positive COVID cases are treated as barrier nursing with full infection control procedures in place. The directors are committed to managing the risk of potential COVID cases and reporting of such cases are immediate, allowing for a swift response.

### 28 Analysis of changes in net debt

	1 August 2021 £	Cash flows £	31 July 2022 £
Cash at bank and in hand	7,200	(4,590)	2,610
Bank overdrafts	(68,659)	(134,222)	(202,881)
	(61,459)	(138,812)	(200,271)
Borrowings excluding overdrafts	(2,023,128)	212,101	(1,811,027)
	(2,084,587)	73,289	(2,011,298)

### 29 Cash generated from operations

	2022 £	2021 £
(Loss)/profit for the year after tax	(1,005,026)	33,187
<b>Adjustments for:</b>		
Taxation (credited)/charged	(277,403)	8,147
Finance costs	75,545	73,343
Amortisation and impairment of intangible assets	41,250	41,250
Depreciation and impairment of tangible fixed assets	990,687	40,595
<b>Movements in working capital:</b>		
Decrease in stocks	4,240	46
(Increase) in debtors	(31,065)	(49,527)
Increase in creditors	412,159	105,961
<b>Cash generated from operations</b>	<b>210,387</b>	<b>253,002</b>

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.