

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020  
FOR  
PRESTWICK CARE LIMITED**

**CONTENTS OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2</b>
<b>Report of the Directors</b>	<b>4</b>
<b>Report of the Independent Auditors</b>	<b>6</b>
<b>Statement of Comprehensive Income</b>	<b>8</b>
<b>Balance Sheet</b>	<b>9</b>
<b>Statement of Changes in Equity</b>	<b>10</b>
<b>Notes to the Financial Statements</b>	<b>11</b>

**PRESTWICK CARE LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 MARCH 2020**

<b>DIRECTORS:</b>	D M Malhotra V Malhotra A Malhotra
<b>REGISTERED OFFICE:</b>	Malhotra House 7-9 Groat Market Newcastle upon Tyne Tyne and Wear NE1 1UQ
<b>REGISTERED NUMBER:</b>	07110396 (England and Wales)
<b>SENIOR STATUTORY AUDITOR:</b>	Peter Charles BSc FCA
<b>AUDITORS:</b>	Robson Laidler Accountants Limited Statutory Auditor Fernwood House Fernwood Road Jesmond Newcastle upon Tyne Tyne and Wear NE2 1TJ
<b>BANKERS:</b>	National Westminster Bank plc 16 Northumberland Street Newcastle upon Tyne NE1 7EL
<b>TAX ADVISERS:</b>	PriceWaterhouseCoopers LLP Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 MARCH 2020**

The directors present their strategic report for the year ended 31 March 2020.

**REVIEW OF BUSINESS**

Prestwick Care Ltd is a leading care home operator in the North East of England providing nursing and residential care through the provision of 227 bedrooms within four separate care home facilities.

Prestwick Care Ltd, trading as 'Prestwick Care', has a reputation for excellence through the quality of its homes, and the provision of high-quality care. We are a forward thinking, dynamic organisation that is committed to the development of our staff and ensuring that the highest standards of care are continually maintained. The care, well-being, safety, and comfort of our residents is paramount, which is why we have embedded a person-centred, individual care approach. Key achievements for the year include:

- High occupancy rates were maintained; averaging 92% across the portfolio
- Two of the homes were rated as 'Outstanding' by CQC and the other as 'Good'.
- Ongoing improvements in the quality of the portfolio with Beech Tree House, our new 86 bedroom care home facility in Alnwick, Northumberland opening in September 2020.

**Primary Financial Results**

The Statement of Comprehensive Income shows the results for year ended 31 March 2020. The Company's turnover for the year was £6.2m representing a 13.4% increase on the previous year (2019: £5.5m). The Company's operating profit for year ended 31 March 2020 amounted to £821,619 (2019: £175,479).

As at 31 March 2020 the Company had net assets of £6.6m (2019: £2.8m).

**Key Performance Indicators**

Two of the principal Key Performance Indicators (KPIs) used by the Company to measure its own level of ongoing performance is shown below:

At 31 March 2020 At 31 March 2019 Difference

Average Room Occupancy 92.2% 94.4% -2.2%

We are pleased to have continued to achieve an improvement in the average weekly fee per resident in the year ended March 2020.

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 MARCH 2020**

**PRINCIPAL RISKS AND UNCERTAINTIES**

The ongoing national nursing staff shortages continue to impact on staff availability and salary expectations. In addition, staff costs are also impacted by the ongoing increases in the National Minimal Wage. Local Authorities and Care Commissioning Groups have recognised the cost pressures and provided care home providers a fee level increase to part subsidise these incremental costs.

As expected, the social care sector continues to be highly regulated with both Local Authorities and the CQC, both of which have high expectations for the standards of care to be provided by care home operators. We are confident that we have the right level of experience and competence within our management team and senior staff structure to ensure we continue to meet the high standards expected of us. This is borne out by two of our homes now being rated as Outstanding by the CQC with the third home being rated as Good. All three homes are graded as Tier 1 by the Local Authorities.

During the last quarter of the financial year, and during the period that followed, it became evident that a new and significant risk was facing the business; the Covid-19 pandemic. We remain vigilant to the threat that this has on the provision of care, with our overarching objective being the provision of a safe environment for our staff and our residents. To do so, we are investing wherever possible in effective infection control measures and working with our sector peers to ensure we adhere to and drive best practice.

Whilst we have not been immune from the impact of positive Covid-19 cases within some of our homes, and notwithstanding the challenges this has presented, we have navigated through the crisis well. Although it is not possible to predict fully the impact of Covid-19, all necessary steps are being taken to steer us through these unprecedented times. Occupancy will reduce in the financial year to March 2021 together with an expected reduction on fees and profits; however all mitigating action is being taken to reduce the impact wherever possible.

**ON BEHALF OF THE BOARD:**

D M Malhotra - Director

9 December 2020

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 MARCH 2020**

The directors present their report with the financial statements of the company for the year ended 31 March 2020.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of the operation of care homes in Newcastle upon Tyne and Northumberland.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 March 2020.

**FUTURE DEVELOPMENTS**

Prestwick Care continues to invest in our workforce to ensure we offer the best possible environment in which to deliver high quality care. Prestwick Care continues to be a leading provider of quality care in the North East of England. To this end, Prestwick Care continues to develop relationships with all Local Authorities and NHS commissioner groups to provide an integrated health and social care system.

**EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2019 to the date of this report.

D M Malhotra  
V Malhotra  
A Malhotra

**FINANCIAL INSTRUMENTS**

The company has bank loans which are interest bearing and which are secured on the company's assets in the course of construction. The applicable loan interest rates are linked to movements in the bank base rates. Interest rate risk with regard to unfavourable interest rate movements is not considered to be material to the financial statements due to the arrangements in place.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 MARCH 2020**

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Robson Laidler Accountants Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

D M Malhotra - Director

9 December 2020

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PRESTWICK CARE LIMITED**

### **Opinion**

We have audited the financial statements of Prestwick Care Limited (the 'company') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

### **Emphasis of matter**

We draw attention to note 9 of the financial statements with regard to the valuation of the company's freehold property. Our opinion is not modified in respect of this matter.

### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.



## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PRESTWICK CARE LIMITED**

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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 in the Statement of Directors' Responsibilities set out on page four, 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 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.

### **Auditors' responsibilities for the audit of the financial statements**

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

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

### **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 a Report of the Auditors 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.

Peter Charles BSc FCA (Senior Statutory Auditor)  
for and on behalf of Robson Laidler Accountants Limited  
Statutory Auditor  
Fernwood House  
Fernwood Road  
Jesmond  
Newcastle upon Tyne  
Tyne and Wear  
NE2 1TJ

11 December 2020

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
<b>TURNOVER</b>	4	<b>6,190,919</b>	5,456,394
Cost of sales		<u>240,297</u>	<u>221,407</u>
<b>GROSS PROFIT</b>		<b>5,950,622</b>	5,234,987
Administrative expenses		<u>5,424,713</u>	<u>5,060,793</u>
		<b>525,909</b>	174,194
Other operating income		<u>295,710</u>	<u>1,285</u>
<b>OPERATING PROFIT</b>	6	<b>821,619</b>	175,479
Interest payable and similar expenses	7	<u>-</u>	<u>5</u>
<b>PROFIT BEFORE TAXATION</b>		<b>821,619</b>	175,474
Tax on profit	8	<u>108,320</u>	<u>38,202</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>713,299</b>	137,272
<b>OTHER COMPREHENSIVE INCOME</b>			
Revaluation of tangible fixed assets		3,836,564	-
Income tax relating to other comprehensive income		<u>(728,947)</u>	<u>-</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<b>3,107,617</b>	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>3,820,916</u></b>	<b><u>137,272</u></b>

**BALANCE SHEET**  
**31 MARCH 2020**

	Notes	2020 £	£	2019 £	£
<b>FIXED ASSETS</b>					
Tangible assets	9		<b>11,504,988</b>		4,837,220
<b>CURRENT ASSETS</b>					
Debtors	10	<b>4,637,431</b>		4,219,037	
Cash at bank and in hand		<b>18,758</b>		54,595	
		<b>4,656,189</b>		<b>4,273,632</b>	
<b>CREDITORS</b>					
Amounts falling due within one year	11	<b>3,491,085</b>		<b>2,795,817</b>	
<b>NET CURRENT ASSETS</b>			<b>1,165,104</b>		<b>1,477,815</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>12,670,092</b>		<b>6,315,035</b>
<b>CREDITORS</b>					
Amounts falling due after more than one year	12		<b>(5,331,800)</b>		<b>(3,532,800)</b>
<b>PROVISIONS FOR LIABILITIES</b>	16		<b>(759,552)</b>		<b>(24,411)</b>
<b>NET ASSETS</b>			<b>6,578,740</b>		<b>2,757,824</b>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		<b>1</b>		<b>1</b>
Revaluation reserve	18		<b>3,107,617</b>		<b>-</b>
Retained earnings	18		<b>3,471,122</b>		<b>2,757,823</b>
<b>SHAREHOLDERS' FUNDS</b>			<b>6,578,740</b>		<b>2,757,824</b>

The financial statements were approved by the Board of Directors and authorised for issue on 9 December 2020 and were signed on its behalf by:

D M Malhotra - Director

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

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Revaluation reserve £</b>	<b>Total equity £</b>
<b>Balance at 1 April 2018</b>	1	2,620,551	-	2,620,552
<b>Changes in equity</b>				
Total comprehensive income	-	137,272	-	137,272
<b>Balance at 31 March 2019</b>	1	2,757,823	-	2,757,824
<b>Changes in equity</b>				
Total comprehensive income	-	713,299	3,107,617	3,820,916
<b>Balance at 31 March 2020</b>	1	3,471,122	3,107,617	6,578,740

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

**1. STATUTORY INFORMATION**

Prestwick Care Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

The financial statements are rounded to the nearest £1.

**2. STATEMENT OF COMPLIANCE**

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

**3. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

**Financial Reporting Standard 102 - reduced disclosure exemptions**

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c).

**Significant judgements and estimates**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements. If, in the future, such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and judgements will be modified as appropriate in the year in which the circumstances change.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

The estimated useful lives of tangible fixed assets

**Turnover**

Turnover represents care home residents' fees receivable (exempt from value added tax) which are recognised either under the terms of contracts with local authorities or under the terms of short term letting agreements.

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

**3. ACCOUNTING POLICIES - continued**

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 2% straight line basis
Fixtures and fittings	- 25% straight line basis

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended.

Assets in the course of construction are not depreciated until they are complete and have been brought into use.

In respect of bank loan finance obtained for a particular property development project, loan interest payments are capitalised as a cost of construction.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Hire purchase and leasing commitments**

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

**Pension costs and other post-retirement benefits**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

**Impairment of assets**

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in profit or loss unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

**Debtors and creditors receivable/payable within one year**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

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

**3. ACCOUNTING POLICIES - continued**

**Loans and borrowings**

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment. If an arrangement constitutes a finance transaction it is measured at present value.

**Provisions**

Provisions are recognised when the company has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

**4. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

Rendering of services £6,190,919 (2019: £5,456,394).

**5. EMPLOYEES AND DIRECTORS**

	2020 £	2019 £
Wages and salaries	3,754,879	3,474,697
Social security costs	241,014	208,292
Other pension costs	59,475	38,094
	<u>4,055,368</u>	<u>3,721,083</u>

The average number of employees during the year was as follows:

	2020	2019
Care home	<u>208</u>	<u>200</u>

	2020 £	2019 £
Directors' remuneration	<u>-</u>	<u>-</u>

**6. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2020 £	2019 £
Other operating leases	842,458	840,000
Depreciation - owned assets	51,853	52,397
Auditors' remuneration	4,206	4,620
Insurance claim receipts	<u>(293,380)</u>	<u>-</u>

**7. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2020 £	2019 £
Bank interest	<u>-</u>	<u>5</u>

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

## 8. TAXATION

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2020 £	2019 £
Current tax:		
UK corporation tax	37,417	-
Adjustment in respect of earlier years	64,709	17,071
Total current tax	<u>102,126</u>	<u>17,071</u>
Deferred tax:		
Deferred tax charge/(credit)	6,194	(3,305)
Adjustment in respect of earlier years	-	24,436
Total deferred tax	<u>6,194</u>	<u>21,131</u>
Tax on profit	<u>108,320</u>	<u>38,202</u>

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £	2019 £
Profit before tax	<u>821,619</u>	<u>175,474</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	156,108	33,340
Effects of:		
Capital allowances in excess of depreciation	(3,322)	-
Depreciation in excess of capital allowances	-	3,934
Adjustments to tax charge in respect of previous periods	64,709	17,071
Group loss relief claimed	(115,093)	(37,034)
Expenses now allowable for tax purposes	(276)	(240)
Deferred taxation	6,194	21,131
Total tax charge	<u>108,320</u>	<u>38,202</u>

**Tax effects relating to effects of other comprehensive income**

	Gross £	2020 Tax £	Net £
Revaluation of tangible fixed assets	<u>3,836,564</u>	<u>(728,947)</u>	<u>3,107,617</u>



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

## 9. TANGIBLE FIXED ASSETS

	Freehold property £	Assets in the course of construction £	Fixtures and fittings £	Totals £
<b>COST OR VALUATION</b>				
At 1 April 2019	-	4,711,013	382,786	5,093,799
Additions	-	2,839,495	43,562	2,883,057
Revaluations	3,836,564	-	-	3,836,564
Reclassification/transfer	7,363,436	(7,550,508)	187,072	-
At 31 March 2020	<u>11,200,000</u>	<u>-</u>	<u>613,420</u>	<u>11,813,420</u>
<b>DEPRECIATION</b>				
At 1 April 2019	-	-	256,579	256,579
Charge for year	-	-	51,853	51,853
At 31 March 2020	<u>-</u>	<u>-</u>	<u>308,432</u>	<u>308,432</u>
<b>NET BOOK VALUE</b>				
At 31 March 2020	<u>11,200,000</u>	<u>-</u>	<u>304,988</u>	<u>11,504,988</u>
At 31 March 2019	<u>-</u>	<u>4,711,013</u>	<u>126,207</u>	<u>4,837,220</u>

Freehold property with a value of £11,200,000 has been pledged as security for the company's bank liabilities. Included in this figure are capitalised borrowing costs of £221,530.

Cost or valuation at 31 March 2020 is represented by:

	Freehold property £	Fixtures and fittings £	Totals £
Valuation in 2020	3,836,564	-	3,836,564
Cost	<u>7,363,436</u>	<u>613,420</u>	<u>7,976,856</u>
	<u>11,200,000</u>	<u>613,420</u>	<u>11,813,420</u>

If freehold property had not been revalued it would have been included at the following historical cost:

	2020 £	2019 £
Cost	<u>7,363,436</u>	<u>-</u>

Freehold property was valued on an open market basis on 15 July 2020 by CBRE Limited .

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

## 9. TANGIBLE FIXED ASSETS - continued

The valuation is in respect of the company's new care home facility at Alnwick which was on the point of opening in March 2020 when the Coronavirus lockdown measures were implemented. The valuation was performed in July 2020 as this was the earliest date when a property inspection could be safely carried out.

The valuation is based on the care home being a fully fitted and equipped operational entity having regard to trading potential at the valuation date. The professional valuation report refers to Coronavirus (COVID-19), the response to which meant that the the valuers stated that they "are faced with an unprecedented set of circumstances on which to base a judgement", leading them to report on the following basis :-

"Our Valuation is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation - Global Standards. Consequently, less certainty - and a higher degree of caution - should be attached to our Valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the Valuation of this Property under frequent review. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the Valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that - in the current extraordinary circumstances - less certainty can be attached to the Valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the Valuation."

## 10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade debtors	145,728	111,037
Amounts owed by group undertakings	3,808,733	3,358,976
Other debtors	38,230	6,385
Amounts owed by related parties	-	297,798
Corporation tax recoverable	-	64,709
Prepayments and accrued income	644,740	380,132
	<u>4,637,431</u>	<u>4,219,037</u>

## 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade creditors	167,981	124,837
Amounts owed to group undertakings	2,388,982	1,549,559
Corporation tax	37,417	-
Social security and other taxes	95,623	42,989
Other creditors	19,606	9,389
Amounts owed to related parties	492,210	793,847
Accruals and deferred income	289,266	275,196
	<u>3,491,085</u>	<u>2,795,817</u>

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

## 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £	2019 £
Bank loans (see note 13)	<u>5,331,800</u>	<u>3,532,800</u>

## 13. LOANS

An analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due between two and five years: Bank loans - 2-5 years	<u>5,331,800</u>	<u>3,532,800</u>

## 14. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2020 £	2019 £
Within one year	840,000	840,000
Between one and five years	3,360,000	3,360,000
In more than five years	7,560,000	8,400,000
	<u>11,760,000</u>	<u>12,600,000</u>

## 15. SECURED DEBTS

The following secured debts are included within creditors:

	2020 £	2019 £
Bank loans	<u>5,331,800</u>	<u>3,532,800</u>

The bank loan is secured by way of a legal charge over all of the company's assets.

The bank loan of £5,331,800 has an applicable interest rate of 1.97% above LIBOR.

## 16. PROVISIONS FOR LIABILITIES

	2020 £	2019 £
Deferred tax		
Accelerated capital allowances	30,605	24,411
Revaluation of freehold property	<u>728,947</u>	<u>-</u>
	<u>759,552</u>	<u>24,411</u>

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

## 16. PROVISIONS FOR LIABILITIES - continued

	Deferred tax £
Balance at 1 April 2019	24,411
Provided during year	728,947
Charge to Statement of Comprehensive Income during year	6,194
Balance at 31 March 2020	<u>759,552</u>

## 17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid: Number:	Class:	Nominal value: £1	2020 £	2019 £
1	Ordinary		<u>1</u>	<u>1</u>

## 18. RESERVES

	Retained earnings £	Revaluation reserve £	Totals £
At 1 April 2019	2,757,823	-	2,757,823
Profit for the year	713,299		713,299
Revaluation in year	-	3,836,564	3,836,564
Tax on revaluations	-	(728,947)	(728,947)
At 31 March 2020	<u>3,471,122</u>	<u>3,107,617</u>	<u>6,578,739</u>

**Reserves:**

Retained earnings - includes all current and prior period retained profits and losses.

Revaluation reserve - reserve created from revaluations to the company's freehold property.

## 19. ULTIMATE PARENT COMPANY

Malhotra Group PLC (incorporated in England and Wales ) is regarded by the directors as being the company's ultimate parent company.

A copy of the consolidated financial statements can be obtained via the Companies House website.

## 20. CAPITAL COMMITMENTS

	2020 £	2019 £
Contracted but not provided for in the financial statements	<u>-</u>	<u>2,799,000</u>

## 21. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Amounts due from/to related parties are interest free.

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

## 21. RELATED PARTY DISCLOSURES - continued

## Key management personnel of the entity or its parent (in the aggregate)

	2020 £	2019 £
Amount due to related party	<u>-</u>	<u>3,847</u>

## Other related parties (in the aggregate)

	2020 £	2019 £
Rent payable	842,458	840,000
Property development costs	1,769,000	2,579,000
Amount due from related party	-	297,798
Amount due to related party	<u>492,210</u>	<u>790,000</u>

## 22. POST BALANCE SHEET EVENTS

Due to the Coronavirus (COVID-19) measures introduced in March 2020, and the subsequent restrictions imposed, the company's care home occupancy has reduced with a consequent impact on the company's income and profits.

## 23. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is J Malhotra.

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.