Company registration number 07110396 (England and Wales)

PRESTWICK CARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

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PRESTWICK CARE LIMITED

COMPANY INFORMATION

Directors	D Malhotra V Malhotra A Malhotra
Company number	07110396
Registered office	Malhotra House 50 Grey Street Newcastle upon Tyne NE1 6AE
Auditor	Robson Laidler Accountants Limited Fernwood House Fernwood Road Jesmond Newcastle upon Tyne Tyne and Wear NE2 1TJ

PRESTWICK CARE LIMITED

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PRESTWICK CARE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present the strategic report for the year ended 31 March 2023.

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. Two of the homes were rated as 'Outstanding' by the Care Quality Commission (CQC) and the other two as 'Good'. Beech Tree House in Alnwick, Northumberland was opened in September 2020 and due to Covid-19 increases in occupancy in have been slow, however, we continue to see admission rates improve.

Following the impact of the Covid-19 pandemic on Prestwick Care and across the healthcare sector, the financial year to 31 March 2023 has seen occupancy rates starting to increase.

The business continues to face issues in relation to the employment market and the struggle to recruit and retain staff across the care sector with the exodus of people out of the Care sector to work in other fields to which Prestwick Care has not been immune. We have run a substantial recruitment campaign which by the end of the financial year had refilled our staffing levels, but this is still an ongoing issue in the business.

We continue to be enormously grateful to our staff for their hard work to provide high-quality care to our residents and their effort and dedication to provide a great contribution to the life of the care homes

The company was successful in winning a 20 bed 2 year NHS contract for one of its' homes during the year, which commenced in September 2022. In addition, the company has received some spot/one off contract bed bookings from local authorities, and been helped by occupancy guarantee support.

Increasing inflation during the year have impacted the cost base, especially around wage costs, utility, insurance and food costs. The higher interest rates have also increased the amount of debt service required which has impacted cashflow and which we are closely monitoring. Due to the cost pressures the Care Home sector is facing, local authority weekly rates, which dictate a substantial proportion of our income, look set to increase substantially at the beginning of the next financial year, which should help to alleviate some of the cost challenges.

Despite the uncertainties, the Board remains positive about the future, about our ability to cope with the challenges posed through our experienced management team, and that we are able to continue to provide person-centred high-quality individual care. Our lenders remain committed to the business with our lending secured to July 2026.

Principal Risks and Uncertainties
The principal risks faced by the company are set out below:

Covid-19/pandemic risk
In the last year, restrictions have been able to be lifted in our Covid-19 response, but the situation is still monitored in case of home outbreak and precautionary measures remain in place to mitigate infection.

Staff recruitment and skill levels
The ongoing national carer and 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 Minimum Wage. Local Authorities and Care Commissioning Groups have recognised the cost pressures and provided care home providers with a fee level increase and grant funding to part subsidise these incremental costs, whilst our recruitment efforts have helped to bring in additional staff to fill shortages, and we continue to develop our existing staff.

Regulatory risk
The social care sector continues to be highly regulated by both Local Authorities and the CQC, both of which rightly 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 all of our homes now being rated as Good or Outstanding by the CQC and all homes graded as Tier 1 by the Local Authorities. However, failure to comply with regulations could lead to substantial penalties. This is mitigated by the policies and procedures we have in place which staff must adhere to, and management oversight, which together continues to ensure the safety of residents.

Market risk
A large proportion of the company's income comes from the provision of services to Local Authorities and the NHS through Clinical Commissioning Groups (CCGs). If there are any changes in legislation or in the levels of funding with these public bodies, or the contracts are not renewed, this could significantly impact the company's revenue. The company ensures that it delivers a high class service to its' residents in well maintained and attractive properties to make it a provider of choice, and continues to maintain strong relationships with the Local Authorities, NHS, CCGs and the CQC. The ongoing national 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 and grant funding to part subsidise these incremental costs.

Property risk
If a property were severely damaged by fire or flooding or a serious equipment malfunction, then this could endanger tenants, customers and staff in the first instance, but also mean significant disruption to the provision of services for some period of time. In order to mitigate this, Malhotra Group is committed to making all necessary arrangements to ensure that the buildings and equipment are maintained at all times and to protect staff, residents, visitors, contractors and members of the public who may be affected by our activities. This will be achieved by ensuring compliance with relevant legal and Approved Codes of Practice standards are complied with and include ensuring that a programme of routine and emergency maintenance of the premises is in place and that records are kept of all maintenance activities. All buildings, fabrics, fittings, plant, utilities and equipment are kept in good, safe condition, in efficient working order and in good repair and services such as water, lighting, heating and air conditioning are maintained appropriately to ensure that premises are comfortable, economical and safe to use and that energy is not wasted.

Principal Risks and Uncertainties cont.

Inflation risk

Revenue earned is from long term contracts at agreed rates of service provision. Any increase in inflation rates over and above those forecast will result in additional cost increases and may have the consequence of reducing profitability.

Increases to the National Minimum Wage continue to impact labour costs and there is a risk that these are not always covered by fee increases from public funders, thereby also affecting margins.

Increases to energy costs have been mitigated due to entering into long term energy contracts across the business. However, with the current increase in energy prices. once these expire, there is likely to be a significant impact on these costs in the business.

Liquidity risk / Interest rate risk

The company continues to be funded by bank loans secured on the freehold properties with the loans being refinanced in July 2021 for a five year term. The properties continue to be well maintained and to hold their valuations although this could be impacted by macroeconomic factors. Fluctuations in interest rates would impact cashflow although there is headroom in the cashflow forecasts to handle this. Working capital is monitored to ensure that the company maintains sufficient cash for its ongoing operations and future developments.

Credit risk

The company's credit risk relates to its' trade debtors. There is potential exposure to credit risk due to the company's revenue being partly derived from privately funded customers. The risk of weak macro-economic conditions through recession and high unemployment may result in reduced disposable income and pension funds and a reduction in house values which may impact the ability to pay for care fees.

The company has procedures in place for dealing with aged debt and adequate provisions have been included in the financial statements.

Data protection risk

The risk continues to be controlled through the data protection polices and privacy notices that are in place. Internal data protection activities are well managed and all responses to data requests are provided ensuring compliance with ICO guidance. Awareness continues to be raised with staff of data protection issues through updates and training.

Primary Financial Results

The Statement of Comprehensive Income shows the results for year ended 31 March 2023. The Company's turnover for the year was £8.6m representing a 22% increase on the previous year (2022: £7.1m). The Company's operating profit for year ended 31 March 2023 amounted to £0.8m (2022: £0.9m).

As at 31 March 2023 the Company had net assets of £6.0m (2022: £5.6m).

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 2023	At 31 March 2022	Difference
Average room occupancy	66.0%	55.2%	10.8%
Average weekly fee rate	£1,003.96	£887.46	£116.50
CQC rating	Good-Outstanding	Good-Outstanding	None

On behalf of the board

D Malhotra
Director

27 September 2023

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

Principal activities
The principal activity of the company continued to be that of the operation of care homes in Newcastle upon Tyne and Northumberland.

Results and dividends
The results for the year are set out on page 11. The profit for the year has been included in these Accounts for £277,356 (2022: profit of £413,254)

The Company's turnover for the year was £8,629,485 representing a increase of 22% on the previous year (2022: £7,095,227).

As at 31 March 2023, the Company had net assets of £5,923,606 (2022: £5,587,125).

No ordinary dividends were paid. 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:

D Malhotra
V Malhotra
A Malhotra

Financial instruments
The company has bank loans which are interest bearing and which are secured on the company's freehold property assets. The applicable loan interest rates are linked to movements in the bank base rates. At present the company does not have any interest rate hedges in place to mitigate any interest rate risk. A 1% interest rate increase would result in an increase to interest charged to the income statement of approximately £78,000 per annum.

Future developments
The Company 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, the Company continues to develop relationships with all Local Authorities and NHS commissioner groups to provide an integrated health and social care system.

Auditor
In accordance with the company's articles, a resolution proposing that Robson Laidler Accountants Limited be reappointed as auditor of the company will be put at a General Meeting.

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

D Malhotra
Director

27 September 2023

PRESTWICK CARE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

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;
- 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.

PRESTWICK CARE LIMITED

INDEPENDENT AUDITOR'S REPORT

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 2023 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 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 2023 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
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.

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

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

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.

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 directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

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.

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

Based on our understanding of the company, we identified that there were principal risks of non-compliance with laws and regulations central to the company's operations due to the oversight of the Care Quality Commission (CQC) and the company's care homes receiving regular inspections from the CQC. We also considered those laws and regulations that have a direct impact on the financial statements of the company such as the Companies Act 2006 and UK tax legislation.

Audit procedures performed by the engagement team included:

Review of the care home CQC inspection reports;

Discussions with UK directors and key management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;

Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;

Reviewing relevant meeting minutes;

Identifying and testing journal entries based on risk criteria;

Testing transactions entered into outside of the company's normal course of business.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it. Also the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment or collusion.

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.

Peter Charles BSc FCA (Senior Statutory Auditor)
For and on behalf of Robson Laidler Accountants Limited

27 September 2023

Senior Statutory Auditor

Fernwood House
Fernwood Road
Jesmond
Newcastle upon Tyne
Tyne and Wear
NE2 1TJ

PRESTWICK CARE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Turnover	3	8,629,485	7,095,227
Cost of sales		(388,063)	(247,817)
Gross profit		8,241,422	6,847,410
Administrative expenses		(7,788,378)	(6,459,537)
Other operating income		303,448	499,390
Operating profit	4	756,492	887,263
Interest payable and similar expenses	6	(351,889)	(183,900)
Profit before taxation		404,603	703,363
Tax on profit	7	(127,247)	(290,109)
Profit for the financial year		277,356	413,254
Other comprehensive income			
Tax relating to other comprehensive income		59,125	(83,979)
Total comprehensive income for the year		336,481	329,275

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

The notes on pages 14 to 26 form part of these financial statements.

PRESTWICK CARE LIMITED

BALANCE SHEET

AS AT 31 MARCH 2023

		2023		2022	
	Notes	**£**	**£**	**£**	**£**
Fixed assets					
Tangible assets	**8**		11,773,662		11,898,103
Current assets					
Debtors	**9**	11,621,207		9,765,245	
Cash at bank and in hand		304,156		239,657	
		11,925,363		10,004,902	
Creditors: amounts falling due within one year	**10**	(9,603,768)		(7,867,220)	
Net current assets			2,321,595		2,137,682
Total assets less current liabilities			14,095,257		14,035,785
Creditors: amounts falling due after more than one year	**11**		(7,476,423)		(7,767,342)
Provisions for liabilities					
Deferred tax liability	**13**	695,228		681,318	
			(695,228)		(681,318)
Net assets			5,923,606		5,587,125
Capital and reserves					
Called up share capital	**15**		1		1
Revaluation reserve	**16**		1,453,306		1,430,452
Profit and loss reserves	**17**		4,470,299		4,156,672
Total equity			5,923,606		5,587,125

The notes on pages 14 to 26 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 27 September 2023 and are signed on its behalf by:

D Malhotra
Director

Company Registration No. 07110396

PRESTWICK CARE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 April 2021	1	1,550,702	3,707,147	5,257,850
Year ended 31 March 2022:				
Profit for the year	-	-	413,254	413,254
Other comprehensive income:				
Tax relating to other comprehensive income	-	(83,979)	-	(83,979)
Total comprehensive income for the year	-	(83,979)	413,254	329,275
Transfers	-	(36,271)	36,271	-
Balance at 31 March 2022	1	1,430,452	4,156,672	5,587,125
Year ended 31 March 2023:				
Profit for the year	-	-	277,356	277,356
Other comprehensive income:				
Tax relating to other comprehensive income	-	59,125	-	59,125
Total comprehensive income for the year	-	59,125	277,356	336,481
Transfers	-	(36,271)	36,271	-
Balance at 31 March 2023	1	1,453,306	4,470,299	5,923,606

The notes on pages 14 to 26 form part of these financial statements.

1 Accounting policies

Company information

Prestwick Care Limited is a private company limited by shares incorporated in England and Wales. The registered office is Malhotra House, 50 Grey Street, Newcastle upon Tyne, NE1 6AE.

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 are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, modified to include the revaluation of freehold property. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Malhotra Group plc. These consolidated financial statements are available via the Companies House website.

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.

1.3 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.

1 Accounting policies **(Continued)**

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, 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:

Freehold property	2% straight line basis
Plant and equipment	25% straight line basis
Fixtures and fittings	25% straight line basis
Computers	25% straight line basis

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.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets which are not measured at fair value to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash and cash equivalents

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 Accounting policies **(Continued)**

1.7 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.

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.

1 Accounting policies **(Continued)**

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.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable 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 and deferred taxation assets or liabilities are not discounted.

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.

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 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

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

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.13 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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Tangible fixed assets

The length of the useful lives of fixed assets are determined by the directors' judgement.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2023	2022
	£	£
Turnover analysed by class of business		
Fees for providing care home services	8,629,485	7,095,227

	2023	2022
	£	£
Other revenue		
Grants received	303,448	496,087

4 Operating profit

	2023	2022
Operating profit for the year is stated after charging/(crediting):	£	£
Government grants	(303,448)	(496,087)
Fees payable to the company's auditor for the audit of the company's financial statements	6,000	6,060
Depreciation of owned tangible fixed assets	393,941	365,907
Profit on disposal of tangible fixed assets	(393)	-
Operating lease charges	860,000	848,385

The government grants receivable were £0 in respect of the Coronavirus Job Retention Scheme (CJRS) and £303,448 in respect of occupancy support, rapid testing, infection control, National Living Wage and workforce recruitment and retention.

5 Employees

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

	2023 Number	2022 Number
Care home	204	213

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	5,134,751	4,037,636
Social security costs	346,001	295,727
Pension costs	78,215	62,250
	5,558,967	4,395,613

6 Interest payable and similar expenses

	2023 £	2022 £
Interest on bank overdrafts and loans	352,400	174,624
Other interest	(511)	9,276
	351,889	183,900

7 Taxation

	2023 £	2022 £
Current tax		
UK corporation tax on profits for the current period	5,276	103,806
Adjustments in respect of prior periods	(1,756)	(35,630)
Group tax relief	50,692	28,331
Total current tax	54,212	96,507
Deferred tax		
Origination and reversal of timing differences	55,507	86,250
Changes in tax rates	17,528	-
Adjustment in respect of prior periods	-	107,352
Total deferred tax	73,035	193,602
Total tax charge	127,247	290,109

7 Taxation (Continued)

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:

	2023 £	2022 £
Profit before taxation	404,603	703,363
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	76,875	133,639
Tax effect of expenses that are not deductible in determining taxable profit	47,958	36,600
Tax effect of income not taxable in determining taxable profit	(13,358)	(6,779)
Adjustments in respect of prior years	(1,756)	71,722
Effect of change in corporation tax rate	17,528	54,927
Taxation charge for the year	127,247	290,109

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:

	2023 £	2022 £
Deferred tax arising on:		
Revaluation of property	(59,125)	83,979

8 Tangible fixed assets

	Freehold property	Plant and equipment	Fixtures and fittings	Computers	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2022	11,825,000	-	835,521	-	12,660,521
Additions	-	9,976	258,771	1,080	269,827
Disposals	-	-	(1,208)	-	(1,208)
At 31 March 2023	11,825,000	9,976	1,093,084	1,080	12,929,140
Depreciation and impairment					
At 1 April 2022	236,500	-	525,918	-	762,418
Depreciation charged in the year	236,500	809	156,547	85	393,941
Eliminated in respect of disposals	-	-	(881)	-	(881)
At 31 March 2023	473,000	809	681,584	85	1,155,478
Carrying amount					
At 31 March 2023	11,352,000	9,167	411,500	995	11,773,662
At 31 March 2022	11,588,500	-	309,603	-	11,898,103

Freehold land and buildings with a carrying amount of £11,352,000 (2022 - £11,588,500) have been pledged to secure borrowings of the company. The company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Land and buildings were revalued at 10 May 2021 by CBRE Limited, independent valuers not connected with the company on the basis of market value. The valuation was made on an open market value basis in accordance with RICS Valuation - Professional Standards and on the basis that the property is a fully equipped operational entity having regard to its current use and trading potential.

The revaluation surplus is disclosed in note 16.

The following assets are carried at valuation. If the assets were measured using the cost model, the carrying amounts would be as follows:

	Freehold property	
	2023	2022
	£	£
Cost	10,011,445	10,011,445
Accumulated depreciation	(506,079)	(305,850)
Carrying value	9,505,366	9,705,595

9 Debtors

Amounts falling due within one year:	2023 £	2022 £
Trade debtors	1,337,446	968,578
Corporation tax recoverable	16,098	-
Amounts owed by group undertakings	9,963,423	8,436,039
Other debtors	71,376	59,648
Prepayments and accrued income	232,864	300,980
	11,621,207	9,765,245

10 Creditors: amounts falling due within one year

	Notes	2023 £	2022 £
Bank loans	12	388,231	417,941
Trade creditors		867,052	471,906
Amounts owed to group undertakings		4,794,758	3,304,208
Corporation tax		-	68,195
Other taxation and social security		73,700	121,163
Other creditors		7,102	38,051
Amounts owed to related parties		2,722,403	2,721,825
Accruals and deferred income		750,522	723,931
		9,603,768	7,867,220

11 Creditors: amounts falling due after more than one year

	Notes	2023 £	2022 £
Bank loans and overdrafts	12	7,476,423	7,767,342

12 Loans and overdrafts

	2023 £	2022 £
Bank loans	7,864,654	8,185,283
Payable within one year	388,231	417,941
Payable after one year	7,476,423	7,767,342

The bank loan is secured by way of a first priority legal charge over the freehold property and first ranking legal charge over the property leases and a debenture over the company's assets.

12 Loans and overdrafts **(Continued)**

The existing bank loan has an applicable interest rate of 2.15% per annum above the Bank of England base rate.

13 Deferred taxation

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

	Liabilities 2023	Liabilities 2022
Balances:	**£**	**£**
Accelerated capital allowances	303,411	234,464
Revaluations	393,328	452,453
Short term timing differences	(1,511)	(5,599)
	695,228	681,318

	2023
Movements in the year:	**£**
Liability at 1 April 2022	681,318
Charge to profit or loss	55,507
Credit to other comprehensive income	(59,125)
Effect of change in tax rate - profit or loss	17,528
Liability at 31 March 2023	695,228

14 Retirement benefit schemes

	2023	2022
Defined contribution schemes	**£**	**£**
Charge to profit or loss in respect of defined contribution schemes	78,215	62,250

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.

15 Share capital

	2023	2022	2023	2022
Ordinary share capital	**Number**	**Number**	**£**	**£**
Issued and fully paid				
Ordinary shares of £1 each	1	1	1	1

16 Revaluation reserve

	2023	2022
	£	£
At the beginning of the year	1,430,452	1,550,702
Deferred tax on revaluation of tangible assets	59,125	(83,979)
Transfer to retained earnings	(36,271)	(36,271)
At the end of the year	1,453,306	1,430,452

17 Profit and loss reserves

	2023	2022
	£	£
At the beginning of the year	4,156,672	3,707,147
Profit for the year	277,356	413,254
Transfer from revaluation reserve	36,271	36,271
At the end of the year	4,470,299	4,156,672

18 Financial commitments, guarantees and contingent liabilities

The company has entered into unlimited cross guarantees with Heatherfield Alpha Limited and Malhotra Care Homes (Sunderland) Limited to support loan indebtedness in the name of Prestwick Care Limited and Heatherfield Alpha Limited which at the year end amounted to £13,878,801, which includes the loan balance disclosed in Note 12. The guarantee signed by the company is also supported by first priority legal charges over the freehold property and a debenture over the company's assets.

19 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023	2022
	£	£
Within one year	840,000	840,000
Between two and five years	3,360,000	3,360,000
In over five years	4,755,000	5,880,000
	8,955,000	10,080,000

20 Related party transactions

Balances with related parties

20 Related party transactions **(Continued)**

	Amounts owed by related parties		Amounts owed to related parties	
	2023	2022	2023	2022
	£	£	£	£
Other related parties	-	-	2,722,403	2,721,825

Other information

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.

21 Ultimate controlling party

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.

The ultimate controlling party is J Malhotra.