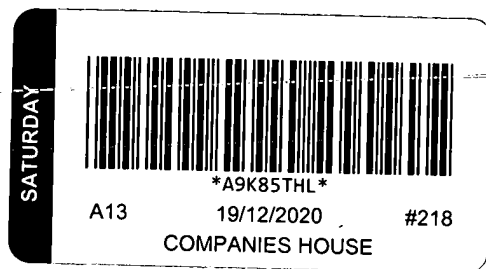


Company Registration No. 06859658 (England and Wales)

ASCOT CARE NORTH EAST LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020



ASCOT CARE NORTH EAST LIMITED

COMPANY INFORMATION

Directors	G Nesbit
	G Nesbit
	T Nesbit
	J Nesbit
Secretary	J Nesbit
Company number	06859658
Registered office	Westoe Grange 4 Horsley Hill Road South Shields Tyne And Wear NE33 3DY
Auditor	RMT Accountants & Business Advisors Ltd Gosforth Park Avenue Newcastle upon Tyne NE12 8EG

ASCOT CARE NORTH EAST LIMITED

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ASCOT CARE NORTH EAST LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

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

Fair review of the business

The principal activity of the company continued to be that of providing general nursing, residential, dementia and day care for the elderly within a registered care home environment.

Throughout the 2020 financial period the company maintained a high level of occupancy within its care homes despite a challenging market place. The company is heavily dependent on the public sector commissioning its services, and as such the company has continued with its program of improvements to services in the care homes, ensuring that commissioning standards to both the public and private sector are not only met but are also exceeded.

The directors remain focused on maintaining the current high standards of care in addition to improving liquid funds to assist in any future capital expenditure programmes, placing the company in a competitive position for future growth in the care sector.

Future developments

The ongoing COVID-19 pandemic has generated a significant level of uncertainty in the national economy and continues to impact day-to-day operations of the company. COVID-19 presents new risks to the company as follows;

- Operational risk. There is a risk that one of our residents or employees contracts COVID-19. We mitigate this risk through stringent infection control, testing and limiting the number of visits from resident family members in line with government guidance and restrictions.

- Financial risk. Occupancy levels have been maintained post year end and the company has continued to generate profits to ensure it has enough resources in place in order to navigate through the COVID-19 pandemic and beyond. The directors continue to review costs to ensure value for money whilst ensuring standards of service and care are maintained. With additional government support funding announced for the care sector this provides further comfort that the company is in a strong position going forward.

Post balance sheet event

Post year end the UK observed a significant increase in the number of reported cases of COVID-19, with the care sector particularly affected. To date, thanks to the safeguards in place the company has managed to avoid any major breakouts in either of the company's care homes, with no major impact on average occupancy levels.

Financial risk management objectives and policies

The company is exposed to a moderate level of price risk, credit risk, liquidity risk and cash flow risk. The company manages these risks by financing its operations through retained profits, supplemented by bank loans and directors loans where necessary to fund capital expenditure programmes.

The management objectives are to retain sufficient liquid funds in order to meet its day to day requirements, minimise the company's exposure to fluctuating interest rates, and match the repayment schedule of any external borrowings or overdrafts with the future cash flows expected to arise from trading activities.

The company makes little use of financial instruments other than operational bank accounts and so the exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit or loss of the group.

Brexit risk

The UK's decision to leave the European Union continues to generate a significant level of uncertainty in the economy. The directors regularly assess the likely effects on company revenue and profitability in an attempt to mitigate the risk as far as practicable.

ASCOT CARE NORTH EAST LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Key performance indicators

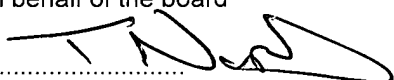
The directors consider turnover, gross profit margin, average occupancy and EBITDA (earnings before interest, tax, depreciation and amortisation) to be key measures of the company's performance:

	2020	2019
Turnover	£2,805,600	£2,854,106
Gross profit margin	42%	46%
Occupancy	87%	92%
EBITDA	£713,215	£748,597

The profit after tax for the period was £413,679 (2019 as restated - £454,928) and the net asset position at the period end was £2,623,392 (2019 as restated - £2,209,713).

The directors consider the company's results to be satisfactory in light of current market conditions.

On behalf of the board



T Nesbit

Director

Approved by the board on 18/12/20

ASCOT CARE NORTH EAST LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and financial statements for the year ended 31 March 2020.

Directors

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

G Nesbit

G Nesbit

T Nesbit

J Nesbit

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditor

In accordance with the company's articles, a resolution proposing that RMT Accountants & Business Advisors Ltd be reappointed as auditor of the company will be put at a General Meeting.

Statement of directors' responsibilities

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.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

ASCOT CARE NORTH EAST LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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



T Nesbit
Director

Date: 18/12/20

ASCOT CARE NORTH EAST LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASCOT CARE NORTH EAST LIMITED

Opinion

We have audited the financial statements of Ascot Care North East Limited (the 'company') for the year ended 31 March 2020 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 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 *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.

The impact of uncertainties due to the United Kingdom exiting the European Union on our audit

Brexit is one of the most significant economic events for the UK in recent history, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible consequences unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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.

ASCOT CARE NORTH EAST LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ASCOT CARE NORTH EAST LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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 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 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 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.

ASCOT CARE NORTH EAST LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ASCOT CARE NORTH EAST LIMITED

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <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.



.....
Paul Gainford (Senior Statutory Auditor)
for and on behalf of RMT Accountants & Business Advisors Ltd
Statutory Auditor
Gosforth Park Avenue
Newcastle upon Tyne
NE12 8EG

Date: 18/12/20

ASCOT CARE NORTH EAST LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2020

		2020	2019
	Notes	£	as restated £
Turnover	3	2,805,600	2,854,106
Cost of sales		(1,637,650)	(1,548,488)
Gross profit		1,167,950	1,305,618
Administrative expenses		(463,241)	(567,498)
Other operating income		-	124
Operating profit	4	704,709	738,244
Interest payable and similar expenses	6	(146,465)	(176,999)
Profit before taxation		558,244	561,245
Tax on profit	7	(144,565)	(106,317)
Profit for the financial year		413,679	454,928

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

ASCOT CARE NORTH EAST LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	2020 £	2019 £
Profit for the year	413,679	454,928
Other comprehensive income	-	-
Total comprehensive income for the year	<u>413,679</u>	<u>454,928</u>

ASCOT CARE NORTH EAST LIMITED

BALANCE SHEET

AS AT 31 MARCH 2020

		2020		2019 as restated	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	9		5,916,007		5,920,794
Current assets					
Debtors	10	702,686		470,150	
Cash at bank and in hand		333,189		86,099	
		<u>1,035,875</u>		<u>556,249</u>	
Creditors: amounts falling due within one year	11	<u>(1,874,142)</u>		<u>(713,578)</u>	
Net current liabilities			(838,267)		(157,329)
Total assets less current liabilities			<u>5,077,740</u>		<u>5,763,465</u>
Creditors: amounts falling due after more than one year	12		(2,434,328)		(3,550,508)
Provisions for liabilities	14		(20,020)		(3,244)
Net assets			<u>2,623,392</u>		<u>2,209,713</u>
Capital and reserves					
Called up share capital	17		2		2
Profit and loss reserves			<u>2,623,390</u>		<u>2,209,711</u>
Total equity			<u>2,623,392</u>		<u>2,209,713</u>

The financial statements were approved by the board of directors and authorised for issue on 18/12/20 and are signed on its behalf by:



T Nesbit
Director

Company Registration No. 06859658

ASCOT CARE NORTH EAST LIMITED

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

	Notes	Share capital £	Profit and loss reserves £	Total £
As restated for the period ended 31 March 2019:				
Balance at 1 April 2018		2	1,622,783	1,622,785
Effect of prior period adjustment	24	-	132,000	132,000
As restated		2	1,754,783	1,754,785
Year ended 31 March 2019:				
Profit and total comprehensive income for the year as restated		-	454,928	454,928
Balance at 31 March 2019		2	2,209,711	2,209,713
Year ended 31 March 2020:				
Profit and total comprehensive income for the year		-	413,679	413,679
Balance at 31 March 2020		2	2,623,390	2,623,392

ASCOT CARE NORTH EAST LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

		2020		2019 as restated	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	22		809,198		739,655
Interest paid			(146,465)		(176,999)
Income taxes paid			(73,260)		(46,733)
Net cash inflow from operating activities			589,473		515,923
Investing activities					
Purchase of tangible fixed assets			(3,719)		(3,480)
Net cash used in investing activities			(3,719)		(3,480)
Financing activities					
Movement in other borrowings			(195,657)		(196,248)
Repayment of bank loans			(136,914)		(92,433)
Net cash used in financing activities			(332,571)		(288,681)
Net increase in cash and cash equivalents			253,183		223,762
Cash and cash equivalents at beginning of year			79,895		(143,867)
Cash and cash equivalents at end of year			333,078		79,895
Relating to:					
Cash at bank and in hand			333,189		86,099
Bank overdrafts included in creditors payable within one year			(111)		(6,204)

ASCOT CARE NORTH EAST LIMITED

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

1 Accounting policies

Company information

Ascot Care North East Limited is a private company limited by shares incorporated in England and Wales. The registered office is Westoe Grange, 4 Horsley Hill Road, South Shields, Tyne And Wear, NE33 3DY.

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. The principal accounting policies adopted are set out below.

1.2 Going concern

The financial statements have been prepared on the going concern basis. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. This includes taking into account the potential impact of COVID-19 to ensure that cashflow is positively managed and the impact to the company's operations are mitigated. The directors have concluded that the going concern assumption is appropriate in preparing these financial statements.

1.3 Turnover

Turnover represents income in relation to general nursing and residential care for the elderly which has been provided in the period to which it relates.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is eight years.

1.5 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:

Fixtures and fittings	25% reducing balance
Computer equipment	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.

No depreciation charge is made on freehold property or freehold property improvements on the grounds that due to the practice of regular maintenance and repair (charges for which are recognised in the profit and loss account), the assets are kept to their previously assessed standard. The residual value of freehold property is therefore not considered to be materially different from the carrying value in the financial statements.

ASCOT CARE NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets 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).

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.

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.

ASCOT CARE NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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.

Derecognition of financial liabilities

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

1.8 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.

1.9 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 stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received, if considered material to the financial statements.

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.

ASCOT CARE NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.10 Retirement benefits

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

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.

Determining residual values and useful economic lives of tangible fixed assets

The company depreciates tangible fixed assets (other than Freehold land and buildings and Improvements to property) over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Freehold land and buildings and Improvements to property are not depreciated as the directors' estimate that the cost held at in the financial statements is not materially different to the market value of the properties. This estimation is based on management expertise of the care home industry.

Judgement is applied by management when determining the residual values for tangible fixed assets. When determining the residual value management aim to assess the amount that the company would currently obtain for disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices. The carrying amount of tangible fixed assets at the reporting end date was £5,916,007 (2019 as restated - £5,920,794).

3 Turnover and other revenue

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

	2020 £	2019 £
Turnover analysed by class of business		
Care home income	2,805,600	2,854,106

The turnover and profit before taxation arose wholly within the United Kingdom.

ASCOT CARE NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

4 Operating profit

	2020	2019
	£	£
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	8,000	8,000
Depreciation of owned tangible fixed assets	8,506	10,353
	<u>16,506</u>	<u>18,353</u>

5 Employees

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

	2020 Number	2019 Number
Directors	4	4
Direct staff	97	104
Total	<u>101</u>	<u>108</u>

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	1,440,413	1,364,108
Social security costs	66,106	64,357
Pension costs	16,775	11,145
	<u>1,523,294</u>	<u>1,439,610</u>

6 Interest payable and similar expenses

	2020 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	144,631	173,821
Other interest on financial liabilities	(816)	3,178
	<u>143,815</u>	<u>176,999</u>
Other finance costs:		
Other interest	2,650	-
	<u>146,465</u>	<u>176,999</u>

ASCOT CARE NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

7 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	99,178	107,770
Adjustments in respect of prior periods	28,611	-
Total current tax	127,789	107,770
Deferred tax		
Origination and reversal of timing differences	17,202	(1,453)
Adjustment in respect of prior periods	(426)	-
Total deferred tax	16,776	(1,453)
Total tax charge	144,565	106,317

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:

	2020 £	2019 £
Profit before taxation	558,244	561,245
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	106,066	106,637
Tax effect of expenses that are not deductible in determining taxable profit	657	316
Adjustments in respect of prior years	28,611	(254)
Other non-reversing timing differences	10,026	-
Effect of change in local deferred tax rate	(795)	(382)
Taxation charge for the year	144,565	106,317

ASCOT CARE NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

8 Intangible fixed assets

	Goodwill £
Cost	
At 1 April 2019 as restated and 31 March 2020	392,000
Amortisation and impairment	
At 1 April 2019 as restated and 31 March 2020	392,000
Carrying amount	
At 31 March 2020	-
At 31 March 2019 as restated	-

9 Tangible fixed assets

	Freehold land and buildings £	Improvements to property £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 April 2019 as restated	4,718,484	1,170,216	200,749	15,990	6,105,439
Additions	-	-	3,719	-	3,719
At 31 March 2020	4,718,484	1,170,216	204,468	15,990	6,109,158
Depreciation and impairment					
At 1 April 2019	-	-	171,268	13,377	184,645
Depreciation charged in the year	-	-	7,852	654	8,506
At 31 March 2020	-	-	179,120	14,031	193,151
Carrying amount					
At 31 March 2020	4,718,484	1,170,216	25,348	1,959	5,916,007
At 31 March 2019 as restated	4,718,484	1,170,216	29,481	2,613	5,920,794

10 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	112,375	77,788
Other debtors	547,750	350,793
Prepayments and accrued income	42,561	41,569
	702,686	470,150

ASCOT CARE NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

11 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	13	1,120,788	147,615
Trade creditors		228,372	160,689
Corporation tax		237,922	183,393
Other taxation and social security		43,438	35,910
Other creditors		173,719	145,688
Accruals and deferred income		69,903	40,283
		<u>1,874,142</u>	<u>713,578</u>

12 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Bank loans	13	<u>2,434,328</u>	<u>3,550,508</u>

13 Loans and overdrafts

	2020 £	2019 £
Bank loans	3,555,005	3,691,919
Bank overdrafts	111	6,204
	<u>3,555,116</u>	<u>3,698,123</u>
Payable within one year	1,120,788	147,615
Payable after one year	<u>2,434,328</u>	<u>3,550,508</u>

The bank loans are secured by a fixed and floating charge over the assets of the company, and are repayable in instalments over 5 years. Interest charged on the loans varies from 2.0%-2.58% LIBOR.

Included within payable within one year is an amount of £1,023,228 in respect of a loan which was due for repayment in July 2020. The bank has since extended the deadline and the revised repayment date is July 2021.

14 Provisions for liabilities

	2020 £	2019 £
Deferred tax liabilities	<u>20,020</u>	<u>3,244</u>

ASCOT CARE NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

15 Deferred taxation

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

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Accelerated capital allowances	20,020	3,244
	<u>20,020</u>	<u>3,244</u>
Movements in the year:		2020 £
Liability at 1 April 2019		3,244
Charge to profit or loss		16,776
		<u>20,020</u>
Liability at 31 March 2020		<u>20,020</u>

16 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	16,775	11,145
	<u>16,775</u>	<u>11,145</u>

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

17 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
2 Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

18 Financial commitments, guarantees and contingent liabilities

Company director T Nesbit provided a personal guarantee of £1,593,000 in respect of one of the loans from Santander UK Plc.

ASCOT CARE NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

19 Operating lease commitments

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:

	2020 £	2019 £
Within one year	6,340	10,794
Between two and five years	2,019	8,358
	<u>8,359</u>	<u>19,152</u>

20 Events after the reporting date

Post year end the UK observed a significant increase in the number of reported cases of COVID-19, with the care sector particularly affected. To date, thanks to the safeguards in place the company has managed to avoid any major breakouts in either of the company's care homes, with no major impact on average occupancy levels.

21 Related party transactions

Transactions with related parties

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

	Purchases 2020 £	2019 £
Companies under common control	117,120	195,316

	Head office costs contributions 2020 £	2019 £
Companies under common control	-	100,000

	2020 £	2019 £
Amounts due to related parties		
Companies under common control	286,086	202,873

ASCOT CARE NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

21 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

	2020 £	2019 £
Amounts due from related parties		
Companies under common control	547,750	350,793

22 Cash generated from operations

	2020 £	2019 £
Profit for the year after tax	413,679	454,928
Adjustments for:		
Taxation charged	144,565	106,317
Finance costs	146,465	176,999
Depreciation and impairment of tangible fixed assets	8,506	10,353
Movements in working capital:		
Increase in debtors	(35,579)	(8,576)
Increase/(decrease) in creditors	131,562	(366)
Cash generated from operations	809,198	739,655

23 Analysis of changes in net debt

	1 April 2019 £	Cash flows £	31 March 2020 £
Cash at bank and in hand	86,099	247,090	333,189
Bank overdrafts	(6,204)	6,093	(111)
	79,895	253,183	333,078
Borrowings excluding overdrafts	(3,691,919)	136,914	(3,555,005)
	(3,612,024)	390,097	(3,221,927)

ASCOT CARE NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

24 Prior period adjustment

The directors have reassessed the value of Goodwill in respect of Springfield Lodge and The Gardens care homes which were purchased in 2010. The value of freehold land and buildings recognised upon the purchase of the two care homes is said to be understated and subsequently the value of Goodwill is considered to have been overvalued at the time of incorporation. It is therefore considered appropriate to restate the cost of goodwill to £392,000 and increase the value of freehold land and buildings held by £918,000.

The directors also consider that the Goodwill should have been amortised over 8 years and therefore was fully amortised as at 1 April 2018. The accounts have been adjusted to reflect this change in amortisation rate.

In summary the following adjustments have been made to prior period balances.

Changes to the balance sheet

	As previously reported £	Adjustment £	As restated at 31 Mar 2019 £
Fixed assets			
Goodwill	720,500	(720,500)	-
Tangible assets	5,002,794	918,000	5,920,794
Net assets	2,012,213	197,500	2,209,713
	<u> </u>	<u> </u>	<u> </u>
Capital and reserves			
Profit and loss	2,012,211	197,500	2,209,711
	<u> </u>	<u> </u>	<u> </u>

The reduction of £720,500 in goodwill reduces the previously reported net book value to £nil as at 31 March 2019.

The increase of £918,000 to tangible assets reflects the increase in cost of freehold land and buildings brought and carried forward as at 31 March 2019.

The net effect of these two adjustments is the £197,500 increase in profit and loss reserves as at 31 March 2019 which relates to the excess amortisation previously charged on goodwill.

Changes to the profit and loss account

	As previously reported £	Adjustment £	As restated £
Period ended 31 March 2019			
Administrative expenses	(632,998)	65,500	(567,498)
	<u> </u>	<u> </u>	<u> </u>
Profit for the financial period	389,428	65,500	454,928
	<u> </u>	<u> </u>	<u> </u>

The adjustment to administrative expenses of £65,500 is in respect of the reversal of excess amortisation charged on goodwill in the prior year.