

**ST. CLOUD CARE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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# ST. CLOUD CARE LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	A Rubinstein L Golani
<b>Company number</b>	02230827
<b>Registered office</b>	The Boynes Upper Hook Road Upton on Severn Worcestershire WR8 0SB
<b>Auditor</b>	Harold Everett Wreford LLP 2nd floor 38 Warren Street London W1T 6AE
<b>Bankers</b>	Barclays Bank PLC

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# ST. CLOUD CARE LIMITED

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# **ST. CLOUD CARE LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors present the strategic report and financial statements for the year ended 31 December 2020.

#### **Review of the business**

The results for the year and financial position of the company are as shown in the annexed financial statements.

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Despite the challenging market conditions, particularly in relation to the impact of Covid-19, the company has delivered satisfactory results in the year. In this environment, the company focused on maintaining the safety of the residents, while flexing staffing levels to required levels, with particular reference to reducing agency staffing levels.

#### **Revenue**

The fee income for the year ended 31 December 2020 has decreased by 3.63% in comparison with prior year.

The reduction in fee income was primarily caused by the impact of Covid-19 leading to reductions in occupancy levels. This impact was partially offset by government initiatives during the first half of 2020 to increase fee levels.

Covid-19 has impacted occupancy levels in 2020 through to 2021. As Covid-19 vaccines are provided to Care Home residents on a priority basis through 2021, we expect occupancy levels to strongly recover.

Fee per registered bed have advanced to £1,141 per week, including voids. There remains scope for improvement in occupancy with around 100 beds vacant across the company at the year-end.

#### **Profitability**

Profitability has fallen at both gross and operating levels during 2020, reflecting the challenging economic and Covid-19 related environment. Covid-19 adversely impacted occupancy levels. Staffing ratios were kept at a higher level than in 2019 in order to provide safe care with increased focus on infection control. Government initiatives in 2020 provided financial support for these increased costs.

With the intervention of the Covid-19 vaccines we expect profitability levels to recover towards the latter half of 2021.

#### **Non-Current Assets**

The company continues to follow its strategy of investing in its Buildings and Fixtures and Fittings, with continuing investment into chattels of a significantly higher quality to further enhance the overall service experience offered to our customers.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The company has a well-established process of identifying business risks, evaluating controls and establishing and executing action plans. In the directors' opinion the key risks are:

**Human Resources:** It is essential the company continues to recruit, retain and motivate high calibre personnel, particularly those appointed to senior positions.

**Management of operations:** The company has made strides in bringing consistency to the management of its clinical and other services and continues a close dialogue with external stakeholders we work with.

**Strategic Review of Operations:** Dementia care services are offered throughout the three counties in which the company trades. More development of the company's compliance and staff management systems is still required but ultimately the directors believe this will yield improved management of the company's care homes.

# ST. CLOUD CARE LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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### FINANCIAL KEY PERFORMANCE INDICATORS

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole. The key performance measures that the directors use to monitor the progress of the company's objectives are:

Occupancy levels - These have reduced overall through 2020 and into the start of 2021. Occupancy levels are expected to improve and recover due to the impact of the new vaccines against Covid 19 and the easing of the lockdown.

Fee levels - These have not increased at levels expected pre Covid 19. Our expectation is for fee levels to improve through 2021.

Gross Profit - Gross profit has decreased from 39.2% to 36.07%.

### OTHER KEY PERFORMANCE INDICATORS

Staff and Agency Costs - The company continues to recruit the vast majority of its staff directly and focuses on containing the use of agency staff to make sure we safely manage to deliver a high quality standard of care. Given the industry-wide skill shortages across the care sector, staff costs inevitably rise. Agency costs comprise 14% of total staff wages given the 24/7 demands our services place on our staff.

### Engaging with our stakeholders (Section 172(1) statement)

The Board is responsible under section 172 of the Companies Act 2006 for promoting the long term success of the Company for the benefit of its shareholders, and acknowledges that its decisions have a long term impact on other stakeholders, the environment and the Company's reputation for high standards of business conduct. The Board appreciates that wider engagement with stakeholders is an important component of long term sustainability and success and believes that by engaging with all important stakeholders, the business is made stronger and more resilient

On behalf of the board



A Rubinstein

Director

23/3/21

# ST. CLOUD CARE LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### Principal activities

The principal activity of the company continued to be that of the provision of residential and nursing care for the elderly in the United Kingdom.

#### Results and dividends

The profit for the year, after taxation, amounted to £944,078 (31.12.2019 - £1,546,900).

During the year, the company paid a total dividend of £2,120,000 (31.12.2019 - £1,500,000).

#### Directors

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

A Rubinstein  
L Golani

#### Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date.

#### Supplier payment policy

It is the company's normal practice to agree terms of transactions, including payment terms with suppliers. Provided suppliers perform in accordance with the agreed terms it is the company's policy that payment is made accordingly.

#### Market value of land and buildings

In the opinion of the directors the current market value of the company's interests in land and buildings is not materially different from the net book value as shown in the financial statements.

#### Financial instruments

The Company has a normal level of exposure to price, credit, liquidity and cash flow risks arising from trading activities which are largely conducted in sterling. The Company does not enter into any formally designated hedging arrangements.

#### Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company's continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### Employee involvement

Details of the number of persons employed and gross remuneration are contained in note 6 to the financial statements.

The company provides relevant information to employees and involves them in matters of concern to themselves through an information dissemination network operated through the care homes' managers and administration managers. The company is committed to providing equal opportunities to employees. The employment of disabled persons is included in this commitment.

# ST. CLOUD CARE LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2020.**

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### Future developments

The Company operates as owning and managing the care homes and there are no planned changes in the business activities of the Company and directors believe that the Company will continue to trade at similar levels over the next 12 months. There are initiatives to improve occupancy. The Company demonstrated its commitment to investing in the training and development of its staff.

### Auditor

The auditor, Harold Everett Wreford LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

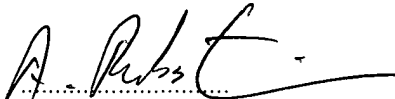
### Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board



A Rubinstein

Director

Date: 23/3/21

# ST. CLOUD CARE LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF ST. CLOUD CARE LIMITED

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#### Opinion

We have audited the financial statements of St. Cloud Care Limited (the 'company') for the year ended 31 December 2020 which comprise the income statement, the statement of comprehensive income, the statement of financial position, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 director's 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 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.



# **ST. CLOUD CARE LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ST. CLOUD CARE LIMITED**

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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.

# ST. CLOUD CARE LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ST. CLOUD CARE LIMITED

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### **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:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- Enquiry of management, those charged with governance around actual and potential litigation and claims;
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- Reviewing financial statements disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Performing audit work over the risk of management override on controls, including testing of journal entries and other adjustments for appropriateness and reviewing accounting estimates for bias.
- We performed analytical procedures to identify any unusual or unexpected relationships.
- Reading the minutes of meetings of those charged with governance.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

# **ST. CLOUD CARE LIMITED**

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

### **TO THE MEMBERS OF ST. CLOUD CARE LIMITED**

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#### **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.

**D J Scott (Senior Statutory Auditor)**  
**for and on behalf of Harold Everett Wreford LLP**

23 March 2021

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

2nd floor  
38 Warren Street  
London  
W1T 6AE

# ST. CLOUD CARE LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Revenue	4	13,604,145	14,117,489
Cost of sales		(8,696,833)	(8,574,501)
<b>Gross profit</b>		<b>4,907,312</b>	<b>5,542,988</b>
Other operating income		343,229	51,883
Administrative expenses		(2,743,978)	(3,010,741)
<b>Operating profit</b>	<b>5</b>	<b>2,506,563</b>	<b>2,584,130</b>
Investment revenues	8	9,747	24,544
Finance costs	9	(520,510)	(645,930)
Other gains and losses	10	(526,519)	-
<b>Profit before taxation</b>		<b>1,469,281</b>	<b>1,962,744</b>
Income tax expense	11	(525,203)	(415,844)
<b>Profit for the year</b>	<b>23</b>	<b>944,078</b>	<b>1,546,900</b>

The income statement has been prepared on the basis that all operations are continuing operations.

# ST. CLOUD CARE LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

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	2020 £	2019 £
Profit for the year	944,078	1,546,900
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Property revaluation reserve	(102,404)	-
Total comprehensive income for the year	841,674	1,546,900

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# ST. CLOUD CARE LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 £	2019 £
<b>Non-current assets</b>			
Property, plant and equipment	13	16,752,603	17,530,401
<b>Current assets</b>			
Inventories	14	40,305	21,678
Trade and other receivables	15	655,134	475,135
Cash and cash equivalents		4,144,733	3,281,577
		4,840,172	3,778,390
<b>Total assets</b>		21,592,775	21,308,791
<b>Current liabilities</b>			
Trade and other payables	18	2,134,213	1,605,851
Current tax liabilities		247,920	170,814
Lease liabilities	19	19,384	-
Borrowings	17	825,000	13,823,649
		3,226,517	15,600,314
<b>Net current assets/(liabilities)</b>		1,613,655	(11,821,924)
<b>Non-current liabilities</b>			
Borrowings	17	15,107,712	1,383,483
Deferred tax liabilities	20	964,599	826,521
Lease liabilities	19	73,800	-
		16,146,111	2,210,004
<b>Total liabilities</b>		19,372,628	17,810,318
<b>Net assets</b>		2,220,147	3,498,473
<b>Equity</b>			
Called up share capital	21	50,000	50,000
Revaluation reserve	22	1,155,975	1,258,379
Retained earnings	23	1,014,172	2,190,094
<b>Total equity</b>		2,220,147	3,498,473

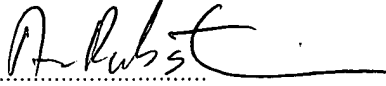
# **ST. CLOUD CARE LIMITED**

## **STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**AS AT 31 DECEMBER 2020**

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The financial statements were approved by the board of directors and authorised for issue on 23/3/21  
and are signed on its behalf by:



A Rubinstein  
Director

**Company Registration No. 02230827**

# ST. CLOUD CARE LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Revaluation reserve £	Retained earnings £	Total £
Balance at 1 January 2019		50,000	1,258,379	2,143,194	3,451,573
<b>Year ended 31 December 2019:</b>					
Profit and total comprehensive income for the year		-	-	1,546,900	1,546,900
Dividends	12	-	-	(1,500,000)	(1,500,000)
<b>Balances at 31 December 2019</b>		<u>50,000</u>	<u>1,258,379</u>	<u>2,190,094</u>	<u>3,498,473</u>
<b>Year ended 31 December 2020:</b>					
Profit for the year		-	-	944,078	944,078
Other comprehensive income:					
Impairment loss		-	(102,404)	-	(102,404)
Total comprehensive income for the year		-	(102,404)	944,078	841,674
Dividends	12	-	-	(2,120,000)	(2,120,000)
<b>Balances at 31 December 2020</b>		<u>50,000</u>	<u>1,155,975</u>	<u>1,014,172</u>	<u>2,220,147</u>



# ST. CLOUD CARE LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	29	3,179,484		2,903,078	
Interest paid		(433,043)		(550,103)	
Tax paid		(310,019)		(349,681)	
<b>Net cash inflow from operating activities</b>		<u>2,436,422</u>		<u>2,003,294</u>	
<b>Investing activities</b>					
Purchase of property, plant and equipment		(194,309)		(518,275)	
Interest received		9,747		24,544	
<b>Net cash used in investing activities</b>		<u>(184,562)</u>		<u>(493,731)</u>	
<b>Financing activities</b>					
Shareholder's loan		(1,364,135)		63,419	
Unamortised finance cost		(208,964)		-	
Proceeds from/(repayment) of bank loan		2,212,500		(925,000)	
Proceeds from finance lease creditor IFRS 16		103,153		-	
Repayment of finance leases obligations IFRS 16		(11,258)		-	
Dividends paid		(2,120,000)		(1,500,000)	
<b>Net cash used in financing activities</b>		<u>(1,388,704)</u>		<u>(2,361,581)</u>	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>863,156</u>		<u>(852,018)</u>	
Cash and cash equivalents at beginning of year		3,281,577		4,133,595	
Cash and cash equivalents at end of year		<u><u>4,144,733</u></u>		<u><u>3,281,577</u></u>	

# ST. CLOUD CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1 Accounting policies

##### Company information

St. Cloud Care Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Boynes, Upper Hook Road, Upton on Severn, Worcestershire, WR8 0SB.

#### 1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

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 on the historical cost basis. The principal accounting policies adopted are set out below.

#### 1.2 Going concern

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

As at 31 December 2020, the Company is in a net current asset position of £1,613,655 (2019: net current liability £11,821,924).

The previous loan facilities advanced to St. Cloud Care Limited were expired on 14 November 2019 and renewed on 13 March 2020. Loan refinance negotiations concluded on 13 March 2020 with the signing of a new 5 year loan agreement.

#### 1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The Company's revenues are derived from one primary source: contracted services income which is billed monthly in accordance with specific agreement with the residents.

Revenue represents income receivable from health and care provision services rendered and goods supplied.

Revenue is recognised in the accounting period in which the company obtains the right to consideration in exchange for its performance.

#### 1.4 Property, plant and equipment

Property, plant and equipment 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 land and buildings	Over 50 years on a straight-line basis
Fixtures and fittings	10% on a straight-line basis
Motor vehicles	25% reducing balance basis
Right of use assets	20% on cost

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 recognised in the income statement. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

# ST. CLOUD CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1 Accounting policies

(Continued)

##### 1.5 Impairment of tangible and intangible assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used.

*Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.*

The company tests for impairment of its assets on an annual basis and when there are indicators of impairment which because of the Covid 19 crisis there are at the year end. Consequently at the year end an impairment assessment was carried out and impairment of asset carrying value was required for one care home based on prevailing market conditions.

The recoverable amount of the CGUs was determined by an independent valuer, Colliers International on 23 March 2021.

The valuation was prepared in accordance with the RICS Valuation- Global Standards, incorporating the International Valuation Standards (the 'Red Book Global', 31 January 2020) issued by the Royal Institution of Chartered Surveyors ('RICS'). It has been prepared in compliance with IFRS; International Financial Reporting Standards 13-Fair Value Measurement.

The basis of valuation adopted is the Fair Value of the properties for their existing use as fully equipped and operational care homes. This involved the use of assumptions and each property was valued on the Profits Method as is market practice in the UK.

The profits method of valuation applies an all-risk YP (Years' Purchase) multiplier to the fair maintainable trade operating profit to provide a capital value. The valuer arrived at the fair maintainable trade operating profit after reviewing the individual trading performance of the properties utilising among other data:

- Management accounts on a home by home basis for the year ended 31 December 2020; analysed monthly
- Management accounts for the years ended 31 December 2018 and 2019.
- Current occupancy and average fee as at the end of December 2020.

The YPs adopted take into account the homes' location, size of home, proportion of bedrooms with en suite facilities, condition, age, whether converted or purpose built and also the trading history and potential adjusting where necessary for the impact of the Covid 19 epidemic.

The carrying amount of the property, plant and equipment has been reduced to its recoverable amount through the recognition of an impairment loss of £526,519, which is recognised within other gains and losses in the income statement.

# ST. CLOUD CARE LIMITED

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

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### 1 Accounting policies

(Continued)

#### 1.6 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is based on the estimated selling price less any estimated completion or selling costs.

#### 1.7 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the Company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the Company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

#### 1.8 Cash and cash equivalents

Cash and cash equivalents 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.

#### 1.9 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

##### **Loans and receivables**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

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

Financial assets, other than those at FVTPL, 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 of the investment have been affected.

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

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

# ST. CLOUD CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1 Accounting policies

(Continued)

##### 1.10 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

##### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

##### *Derecognition of financial liabilities*

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

##### 1.11 Equity instruments

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

##### 1.12 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 income statement 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 is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary 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 income statement, 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.

# ST. CLOUD CARE LIMITED

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

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### 1 Accounting policies

(Continued)

#### 1.13 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 inventories or non-current 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.

#### 1.14 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property. The adoption of this new Standard has resulted in the company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The company has elected to measure the right-of-use assets at an amount equal to the lease liability. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

# ST. CLOUD CARE LIMITED

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

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### 1 Accounting policies

(Continued)

#### 1.15 Grants

Government grants are recognised at their fair value as other operating income in the statement of comprehensive income to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The company has been awarded infection control grants during the year to date, and expects to receive further grants to cover the period to March 2021. The grants are to be used for specific infection control measures through to March 2021. The Directors feel the guidance as provided by the Government and the Local Authorities lacks clarity. While the Directors feel the company is adhering to the guidelines there is still uncertainty if the spend identified by the company is in line with Government guidelines. Due to this uncertainty the company is retaining a provision of circa 30% of the total grant received to cover potential clawbacks, and future infection control initiatives to 31 March 2021.

#### Accounting for Government Grants and Disclosure of Government Assistance

IAS 20.12 applies: 'Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.'

However, the local authorities require all care homes to submit claims and evidence of additional costs incurred in order to prevent the spread of virus due to Covid-19. Care has been taken to align the assistance received with the requirements of the local authorities providing the economic assistance (i.e. cash received for infection measures should not be used against any other costs unless specifically permitted to do so).

Government grants are recognised when there is reasonable assurance that the grant conditions have been achieved or met and the grants will be received.

Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

The income is recognised within profit or loss as the conditions are complied with. The fair value of the infection control grant is recognised as income upon receipt of the grant and on a time apportioned basis.

Our staff are following government guidance on self-isolating if they, or a family member they are living with, is symptomatic or confirmed with COVID-19. We are also following strict infection control measures in all our care homes.

### 2 Adoption of new and revised standards and changes in accounting policies

The following new and revised Standards and Interpretations have been issued and are effective for the current financial period of the company.

IFRS 16 *Leases* effective for annual periods beginning on or after January 1, 2019. Specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value.

The application of the other revised Interpretations, Amendments and Annual Improvements has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

IFRS 9 Financial Instruments

1 January 2020

# ST. CLOUD CARE LIMITED

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

### 2 Adoption of new and revised standards and changes in accounting policies

(Continued)

#### Standards which are in issue but not yet effective

Any standards and interpretations that have been issued but are not yet effective have not been applied by the company in these financial statements. Application of these Standards are not expected to have a material effect on the financial statements in future periods.

The following standards and interpretations (and amendments thereto) have been issued by the International Accounting Standards Board (IASB) and its International Financial Reporting Interpretations Committee (IFRIC) which are not yet effective and have not been adopted, many of which are either not relevant to the company or have no material effect on the financial statements of the company.

IAS 8	Definition of Accounting Estimates (Amendments to IAS 8): 1 January 2023
IAS 1	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2): 1 January 2023
IAS 1	Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1): 1 January 2023
IAS 16	Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16): 1 January 2022
IFRS 17	Insurance Contracts: 1 January 2023

The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the company prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard of interpretation but the need for endorsement restricts the company's discretion to early adopt standards.



# ST. CLOUD CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 3 Critical accounting estimates and judgements

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, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

##### (i) Provisions

The Company has recognised provisions for impairment of trade receivables, employee bonuses, income tax and deferred tax in its financial statements which requires management to make judgements. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

##### (ii) Impact of Covid-19

The Covid-19 outbreak has had a significant impact on the Company's business during 2020. The Covid-19 outbreak developed very rapidly during the first half of 2020 but the situation stabilised with occupancy slowly improving from the third week of May.

During 2020 the Company focused on managing the impact on residents, staff, the supply chain and costs control.

The main drivers affecting results of operations are:

- the number of beds and the occupancy rates in each of the care homes;
- the level of fee increases achievable for Local Authority and the NHS rates as well as self-funded residents
- the level of operating expenses, particularly staff costs, the impact of lower occupancy and the rise in the National Living Wage as of 1st April 2020.

From the middle of April 2020, the Covid-19 outbreak had a significant negative effect on the Company's results for the current year. Occupancy rates fell more than anticipated during April and May but stabilised from June and improved through the third quarter and stabilised again in the fourth quarter due to normal seasonality factors. In January 2021 the Company suffered from a second wave of Covid outbreak but at present we do not have any positive cases at the homes.

While residents have been vaccinated, it is still difficult to predict the impact in subsequent quarters, as potential residents delay moves into care homes because of understandable concerns at this time. The fall in occupancy rates has been partly offset by the receipt of top up funds from Local Authorities and NHS bodies while the cost of wages and salaries have reduced due to cost saving efforts.

# ST. CLOUD CARE LIMITED

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

### 4 Revenue

The Company has only one source of revenue, being the provision of care service. An analysis of the company's revenue is as follows:

	2020 £	2019 £
<b>Revenue analysed by class of business</b>		
Nursing home fees	13,604,145	14,117,489

	2020 £	2019 £
<b>Other significant revenue</b>		
Interest income	9,747	24,544
Grants received	322,934	-

The infection control grant is recognised in the statement of comprehensive income as other operating income.

### 5 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Government grants	(322,934)	-
Fees payable to the company's auditor for the audit of the company's financial statements	9,000	7,200
Depreciation of property, plant and equipment	338,293	312,100
Loss on disposal of property, plant and equipment	4,892	3,120
Cost of inventories recognised as an expense	446,965	444,850
Other cost of sales	8,249,868	8,129,651

### 6 Employees

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

	2020 Number	2019 Number
Care staff, domestic staff and admin	381	354
Management	11	16
	392	370

# ST. CLOUD CARE LIMITED

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

### 6 Employees (Continued)

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	7,054,472	6,605,904
Social security costs	566,836	523,132
Pension costs	129,531	114,210
	<u>7,750,839</u>	<u>7,243,246</u>

There are no key management personnel other than the directors.

### 7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	<u>98,742</u>	<u>103,685</u>

### 8 Investment income

	2020 £	2019 £
Interest income		
Bank deposits	<u>9,747</u>	<u>24,544</u>

Total interest income for financial assets that are not held at fair value through profit or loss is £9,747 (2019 - £24,544).

### 9 Finance costs

	2020 £	2019 £
Interest on bank overdrafts and loans	417,178	484,223
Interest on obligations under finance leases	1,289	-
Other interest payable	15,865	65,880
	<u>434,332</u>	<u>550,103</u>
Total interest expense	434,332	550,103
Finance cost amortised	86,178	95,827
	<u>520,510</u>	<u>645,930</u>

# ST. CLOUD CARE LIMITED

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

### 10 Other gains and losses

	2020 £	2019 £
Impairment loss	(526,519)	-

The carrying amount of the property has been reduced to its recoverable amount through the recognition of an impairment loss of £526,519. This loss is recognised within gains and losses in the statement of comprehensive income.

### 11 Income tax expense

	2020 £	2019 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	387,125	363,491
<b>Deferred tax</b>		
Origination and reversal of temporary differences	138,078	52,353
<b>Total tax charge</b>	<b>525,203</b>	<b>415,844</b>

The charge for the year can be reconciled to the profit per the income statement as follows:

	2020 £	2019 £
Profit before taxation	1,469,281	1,962,744
Expected tax charge based on a corporation tax rate of 19.00%	279,163	372,921
Effect of expenses not deductible in determining taxable profit	929	694
Under/(over) provided in prior years	(4,308)	2,901
Depreciation	64,272	59,299
Capital allowances	(52,970)	(76,584)
Deferred tax	138,078	52,353
Impairment loss	100,039	-
Other differences	-	4,260
<b>Taxation charge for the year</b>	<b>525,203</b>	<b>415,844</b>

# ST. CLOUD CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

12 Dividends	2020 per share	2019 per share	2020 £	2019 £
Amounts recognised as distributions to equity holders:				
<b>Ordinary shares</b>				
Interim dividend paid	42.40	30.00	2,120,000	1,500,000

### 13 Property, plant and equipment

	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Right of use assets £	Total £
<b>Cost</b>					
At 1 January 2019	17,930,142	1,368,464	58,323	-	19,356,929
Additions	240,733	277,542	-	-	518,275
Disposals	(3,000)	(9,162)	-	-	(12,162)
At 31 December 2019	18,167,875	1,636,844	58,323	-	19,863,042
Additions	2,015	89,141	-	103,153	194,309
Disposals	-	(11,505)	-	-	(11,505)
Impairment loss	(773,380)	-	-	-	(773,380)
At 31 December 2020	17,396,510	1,714,480	58,323	103,153	19,272,466
<b>Accumulated depreciation and impairment</b>					
At 1 January 2019	1,032,816	958,185	38,582	-	2,029,583
Charge for the year	257,336	49,829	4,935	-	312,100
Eliminated on disposal	(2,686)	(6,356)	-	-	(9,042)
At 31 December 2019	1,287,466	1,001,658	43,517	-	2,332,641
Charge for the year	257,376	68,617	3,704	8,596	338,293
Eliminated on disposal	-	(6,613)	-	-	(6,613)
Impairment loss	(144,457)	-	-	-	(144,457)
At 31 December 2020	1,400,385	1,063,661	47,221	8,596	2,519,863
<b>Carrying amount</b>					
At 31 December 2020	15,996,125	650,819	11,102	94,557	16,752,603
At 31 December 2019	16,880,409	635,186	14,806	-	17,530,401

The carrying amount of the property has been reduced to its recoverable amount through the recognition of an impairment loss of £526,519. This loss is recognised within gains and losses in the statement of comprehensive income.

# ST. CLOUD CARE LIMITED

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

<b>14 Inventories</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Consumables	40,305	21,678
<b>15 Trade and other receivables</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Trade receivables	501,492	353,396
Provision for bad and doubtful debts	(22,770)	(13,914)
	478,722	339,482
Other receivables	79,410	33,842
Prepayments	97,002	101,811
	655,134	475,135

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

There are no amounts included above due in more than one year.

### 16 Trade receivables - credit risk Fair value of trade receivables

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

No significant receivable balances are impaired at the reporting end date.

<b>Movement in the allowances for doubtful debts</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Balance at 1 January 2020	13,914	40,498
Additional allowance recognised	8,856	-
Allowance reversed	-	(26,584)
Balance at 31 December 2020	22,770	13,914

# ST. CLOUD CARE LIMITED

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

### 17 Borrowings

	2020 £	2019 £
<b>Secured borrowings at amortised cost</b>		
Bank loans	16,087,500	13,875,000
Unamortised finance cost	(174,136)	(51,351)
Loans from parent undertaking	19,348	1,383,483
	<u>15,932,712</u>	<u>15,207,132</u>

#### Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £	2019 £
Current liabilities	825,000	13,823,649
Non-current liabilities	15,107,712	1,383,483
	<u>15,932,712</u>	<u>15,207,132</u>

The directors consider that there is no material difference between the book values and fair values of interest-bearing liabilities.

The shareholder loan is repayable on 20 December 2027 and the Company may repay any part of the loan or any part of the interest to the shareholder at any time without penalty. Interest has been charged at the rate of 5% per annum on the loan and interest charged for the year amounted to £15,865.

The Barclays Bank loan is secured by a mortgage debenture incorporating a fixed and floating charge over all current and future assets of the company. Freehold land and buildings have been pledged as security for bank loans under a mortgage charge.

Interest rate is chargeable at 2.3% over the London Interbank Offered Rate (LIBOR) on the bank loans. Interest is charged on the loan in arrears. Any interest charged but unpaid as at 31 December 2020 has been included within current liabilities. The unamortised finance cost is charged to the income statement over the terms of the bank loans.

St. Cloud Care Limited has undertaken several financial covenants with the lender in connection with this loan which are tested on a quarterly basis. These covenants comprise:

- A Cash Flow Cover not to be less than 1.30:1
- B Net Leverage not to exceed 5.75:1 incrementally decreasing to 5.25:1 from 1 April 2022.
- C Loan to Value must not exceed 65% at any time
- D An aggregate Minimum Cash Balance of £1m must be maintained at all times.

At the balance sheet date, there were no breaches. The company had entered into a covenants easing measure with its lender for the upcoming testing periods and further details are provided in note 27.

The facilities advanced to St. Cloud Care Limited comprise a loan of £16,500,00 for 5 years commencing on 13 March 2020 repayable by quarterly instalments. The loans have been advanced by Barclays Bank Plc. Interest is chargeable at 2.3% over the LIBOR on this bank loan.

# ST. CLOUD CARE LIMITED

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

### 17 Borrowings

(Continued)

### 18 Trade and other payables

	Current 2020 £	2019 £
Trade payables	855,832	639,905
Amount owed to parent undertaking	-	25,000
Accruals	390,988	241,323
Social security and other taxation	151,439	148,793
Other payables	735,954	550,830
	<u>2,134,213</u>	<u>1,605,851</u>

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

### 19 Lease liabilities

	2020 £	2019 £
<b>Maturity analysis</b>		
Within one year	22,272	-
In two to five years	79,808	-
	<u>102,080</u>	<u>-</u>
<b>Total undiscounted liabilities</b>	102,080	-
Future finance charges and other adjustments	(8,896)	-
	<u>93,184</u>	<u>-</u>
<b>Lease liabilities in the financial statements</b>	<u>93,184</u>	<u>-</u>

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £	2019 £
Current liabilities	19,384	-
Non-current liabilities	73,800	-
	<u>93,184</u>	<u>-</u>

	2020 £	2019 £
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	<u>1,289</u>	<u>-</u>



# ST. CLOUD CARE LIMITED

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

### 19 Lease liabilities

(Continued)

All the amounts above are in respect of Right of use asset additions in the year, and arose from the implementation of IFRS 16 by the company for the first time.

### 20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs £
Deferred tax liability at 1 January 2019	774,168
<b>Deferred tax movements in prior year</b>	
Charge to profit or loss	52,353
Deferred tax liability at 1 January 2020	826,521
<b>Deferred tax movements in current year</b>	
Charge to profit or loss	138,078
Deferred tax liability at 31 December 2020	964,599

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2020 £	2019 £
Deferred tax liabilities	964,599	826,521
<b>21 Share capital</b>	<b>2020 £</b>	<b>2019 £</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
50,000 Ordinary shares of £1 each	50,000	50,000
	50,000	50,000

# ST. CLOUD CARE LIMITED

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

### 22 Revaluation reserve

	2020 £	2019 £
At beginning of year	1,258,379	1,258,379
Impairment loss adjustment	(102,404)	-
At end of year	<u>1,155,975</u>	<u>1,258,379</u>

### 23 Retained earnings

	2020 £	2019 £
At the beginning of the year	2,190,094	2,143,194
Profit for the year	944,078	1,546,900
Dividends	(2,120,000)	(1,500,000)
At the end of the year	<u>1,014,172</u>	<u>2,190,094</u>

### 24 Capital risk management

The company is not subject to any externally imposed capital requirements.

The company seeks to manage its capital to ensure that it is able to continue as a going concern. The capital structure of the company consists of loans and equity comprising issued share capital and retained earnings.

# ST. CLOUD CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 25 Financial instruments

In common with other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 1.

Substantive changes to the company's exposure to interest-bearing indebtedness are disclosed below. Proceeds from the issue of the company's shares will be utilised to provide working capital and to reduce borrowings within the company. There have been no other substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, or the methods used to measure them from previous periods unless otherwise stated in this note.

#### Principal financial instruments

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

	2020	2019
	£	£
Trade receivables	478,722	339,483
Other receivables	79,410	33,844
Cash and cash equivalents	4,144,733	3,281,576
Trade and other payables	855,832	639,906
Interest-bearing loans and borrowings	(16,025,896)	(15,207,132)
	=====	=====

#### General objectives, policies and processes

The Board has overall responsibility for the determination of the company's risk management objectives and policies and, while retaining ultimate responsibility for them, has delegated authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The Board receives regular reports through which it reviews the effectiveness of the processes in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

#### Credit risk

Credit risk arises principally from the company's trade and other receivables and cash and cash equivalents. It is a risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements.

#### Capital

The company considers its capital to comprise its ordinary share capital and the retained earnings as its capital reserves. Details of the company capital are disclosed in the statements of changes in equity.

# ST. CLOUD CARE LIMITED

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

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### 25 Financial instruments

(Continued)

#### Liquidity risk

Liquidity risk arises principally from the company's management of working capital and the amount of funding committed to its software and hardware platforms. It is a risk that the company will encounter difficulty in meeting its financial obligations as they fall due.

The company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the company arise in respect of operational and administrative expenditure, trade and other payables and the servicing on interest-bearing debt.

The Board receives cash flow projections on a regular basis as well as information on cash balances.

#### Interest rate risk

The company is exposed to interest rate risk in respect of surplus funds held on deposit. The Board does not currently undertake hedging arrangements.

The fair value of obligations under trade and other payables is equal to the book values.

#### Currency risk

The company is not exposed to any significant currency risk.

# ST. CLOUD CARE LIMITED

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

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### 26 Events after the reporting date

In the 3 March 2021 Budget it was announced that the main rate of UK corporation tax will increase from the current 19% to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge. If this rate had been substantially enacted at the current balance sheet date the deferred tax provision would have been increased by £304,610.

Subsequent to the year end on 5th January 2021 in order to ensure maximum financial flexibility in the event of future deterioration in its operations as a result of the spread of the corona virus in England, the company approached Barclays Bank Plc for a series of easing of its loan covenants which was accepted; the main ones being the easing of the financial terms, for the period from 30.6.2020 to 31.12.2021 and the last day of any relevant period thereafter (the "easing period"). The following covenants were amended as follows:

A. Cash flow cover no to be less than 1.30:1 in the period to 30 June 2020; 1.00:1 in the periods 30 September 2020 to 30 September 2021; 1.25:1 in the period to 31 December 2021 and 1.30:1 for the period ending 31 March 2022 and for any relevant periods thereafter.

B. Liquidity shall not be less than £1,000,000 in the period to 30 June 2020; £2,000,000 in the subsequent periods to 31 December 2021 and £1,000,000 for the period ending 31 March 2022 and for any relevant period thereafter.

C. Leverage not to exceed 5.75:1 in the periods 30 June 2020 and 30 September 2020, 6.75:1 in the period 31 December 2020, 7.50:1 in the period to 31 March 2021, 7.25:1 in the period to 30 June 2021, 6.50:1 in the period to 30 September 2021, 5.75:1 in the period to 31 December 2021, 5.50:1 in the period to 31 March 2022 and 5.50:1 for any relevant periods thereafter.

In the global market, there is a process of preparing for the cessation of the use of the LIBOR interest rate and the transition to alternative interest rate indices, starting at the end of 2021 ("the expected transition date"). The Company expects that the transition from the LIBOR to a new rate at the date of determination will be based on the last LIBOR interest rate available at that date in such a way that the total alternative interest rate close to the date of determination is expected to be the same as the total rate of LIBOR interest plus the agreed spread immediately prior to the date of determination. Consequently, the impact on the Company is not expected to be material. However, with respect to the period from the date of determination onwards, the Company cannot, at this stage, reasonably estimate the impact on its financial position and / or the results of the Company's operations (if any). As at the date of signature of the financial statements the loan agreements have not yet been updated for this.

# ST. CLOUD CARE LIMITED

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

### 27 Related party transactions

Directors' emoluments are required to be disclosed as related-party transactions. The directors of St. Cloud Care Limited received emoluments amounting to £99,386 during the year ended 31 December 2020 (2019 - £103,685). Included in the aforementioned amount the company was charged a director's fee amounting to £nil (2019 - £5,352) for E. Robson by CBGA Robson LLP in which E. Robson is a member.

Included within interest-bearing loans and borrowings note 17 is an amount due to shareholders as follows:

	31/12/2020	31/12/2019
	£	£
Care investments UK S.a.r.l	<u>19,348</u>	<u>1,383,483</u>

The Company accrued for management fees amounting to £11,667 to Ravad Ltd (2019: £11,667) and £58,333 to Golden House Limited (2019: £58,323) the joint ultimate controlling parties of the immediate parent company.

At 31 December 2020, St. CCloud Care Limited owed Golden House Limited £58,333 (2019 - £0) which is included in creditors.

At 31 December 2020, St. CCloud Care Limited owed Ravad Limited £36,667 (2019 - £25,000) which is included in creditors.

### 28 Controlling party

The immediate parent company is Care Investments UK S.a.r.l, a company registered in Luxembourg. The registered office is 64 Rue Principal, L-5367 Shuttrange, Luxembourg.

As at 31 December 2020, the joint ultimate controlling parties were Golden House Limited and Ravad Limited who own Golden House Ravad - Care Homes England, Limited Partnership, the shareholder of Care Investments UK Sarl. Both ultimate controlling parties are incorporated in Israel.

# ST. CLOUD CARE LIMITED

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

### 29 Cash generated from operations

	2020 £	2019 £
Profit for the year after tax	944,078	1,546,900
<b>Adjustments for:</b>		
Taxation charged	525,203	415,844
Finance costs	520,510	645,930
Investment income	(9,747)	(24,544)
Loss on disposal of property, plant and equipment	4,892	3,120
Depreciation and impairment of property, plant and equipment	338,293	312,100
Other gains and losses	526,519	-
Other non-cash movement	-	-
<b>Movements in working capital:</b>		
Increase in inventories	(18,627)	(4,089)
(Increase)/decrease in trade and other receivables	(179,999)	90,187
Increase/(decrease) in trade and other payables	528,362	(82,370)
<b>Cash generated from operations</b>	<b>3,179,484</b>	<b>2,903,078</b>