

Company Registration No. 04340639 (England and Wales)

THE FRANKLYN GROUP LIMITED
ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

THE FRANKLYN GROUP LIMITED

COMPANY INFORMATION

Directors	Mr R A Fleming Mr A J MacArthur Ms J C McKenna
Company number	04340639
Registered office	The Gatehouse 9 Manor Road Harrogate North Yorkshire HG2 0HP
Auditor	Morris Lane 31/33 Commercial Road Poole Dorset BH14 0HU

THE FRANKLYN GROUP LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 5
Income statement	6
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11 - 27
Non statutory information Detailed trading, profit and loss account	

THE FRANKLYN GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present the strategic report for the year ended 30 June 2020.

Fair Review of the Business

The directors are very pleased with the results of the 2nd full year of trading and the improvements made over the last 12 months. The individual homes have contributed well overall. Significant savings have been made in direct home costs across the group.

Despite the advent of a global pandemic in the final quarter, only Kirkwood was hit financially with a loss of over 50% of residents in that home after a Covid-19 Outbreak in March. The reduced occupancy at Kirkwood due to Covid-19 is a concern for the months ahead.

The occupancy at the end of the year exceeds industry averages at The Gatehouse and Stobars Hall (which has boasted excellent occupancy in the final quarter. Registered bed numbers have remained static we continue to succeed in increasing fee levels through excellence in care and improved CQC ratings. Increases in staff costs continue to put pressure on the business. However furloughed workers in other sectors have shown interest in working in care since the start of the pandemic which will hopefully make a lasting improvement in the ability to staff the homes.

Looking forward

The company will continue to make improvements in the technology used throughout the business to drive efficiency in all areas. In particular improved networking and a move to electronic care planning are in motion. In addition to our continuing aim for Outstanding CQC ratings in all homes we will be re-investing some of the profits from this year in a replacement lift at Stobars Hall which will have the added benefit of access to the third floor.

Principal Risks and Uncertainties

The Coronavirus pandemic has clearly been the biggest risk and has led to uncertainties and difficult times for every industry – especially Care. Our ongoing concern is for the health and wellbeing of both our residents and staff. The Covid-19 Outbreak at Kirkwood has prepared us in some respects for what is likely to come in the months ahead. There will be difficult times in trying to keep the Covid-19 infection at bay.

We have many opportunities; there remains a national shortage of residential care beds and excellent and growing reputation in the community continues offer significant opportunities for growth in the coming years.

Key performance indicators

	2020	2019
Turnover	£3.05m	£2.81m
Profit before tax	£713k	£647k
Net profit margin	23.4%	23.0%

On behalf of the board

Mr A J MacArthur

Director

28 June 2021

THE FRANKLYN GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present their annual report and financial statements for the year ended 30 June 2020.

Principal activities

The principal activity of the company continued to be that of care home operation.

Directors

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

Mr R A Fleming
Mr A J MacArthur
Ms J C McKenna

Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £366,818. The directors do not recommend payment of a further dividend.

Financial instruments

Treasury operations and financial instruments

The company's activities expose it to a variety of financial risks. The Board reviews and agrees policies for managing these risks at regular intervals dependent on circumstances. The company's principal financial instruments include assets and liabilities such as trade receivables and trade payables arising directly from its operations. In accordance with company's treasury policy, derivative instruments are not entered into for speculative purposes.

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The company is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The company uses interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates.

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board. All residents who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary. The company is not exposed to commodity price risk.

Post reporting date events

Subsequent to the year end, £38,623 was spent on a new roof and £59,869 on a new lift at one of the care homes, and a total of £65,724 on building and setting up new visitor cabins at each home along with one new head office cabin.

Auditor

Morris Lane were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

THE FRANKLYN GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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. It has done so in respect of the fair review of the business, and likely future developments.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr A J MacArthur
Director

28 June 2021

THE FRANKLYN GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE FRANKLYN GROUP LIMITED

Opinion

We have audited the financial statements of The Franklyn Group Limited (the 'company') for the year ended 30 June 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 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 30 June 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.

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.

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.

THE FRANKLYN GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF THE FRANKLYN GROUP LIMITED

Matters on which we are required to report by exception

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

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.

Michelle Pettifer (Senior Statutory Auditor)
for and on behalf of Morris Lane

29 June 2021

Chartered Accountants
Statutory Auditor

31/33 Commercial Road
Poole
Dorset
BH14 0HU

THE FRANKLYN GROUP LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
	Notes	£	as restated £
Revenue	3	3,051,824	2,810,069
Administrative expenses		(2,352,894)	(2,163,170)
Other operating income		13,787	-
Operating profit	4	712,717	646,899
Investment income	7	1,077	531
Finance costs	8	(375)	(501)
Profit before taxation		713,419	646,929
Tax on profit	9	(107,685)	(119,068)
Profit for the financial year		605,734	527,861

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

THE FRANKLYN GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	£	£
Profit for the year	605,734	527,861
Other comprehensive income		
Tax relating to other comprehensive income	15,468	11,672
Total comprehensive income for the year	<u>621,202</u>	<u>539,533</u>

THE FRANKLYN GROUP LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		2020		2019	
	Notes	£	£	as restated	£
Non-current assets					
Property, plant and equipment	11		6,249,982		6,220,628
Current assets					
Inventories	12	4,350		4,350	
Trade and other receivables	13	71,763		130,446	
Cash and cash equivalents		659,286		388,594	
		735,399		523,390	
Current liabilities	14	(1,306,367)		(1,353,465)	
Net current liabilities			(570,968)		(830,075)
Total assets less current liabilities			5,679,014		5,390,553
Non-current liabilities	15		(38,131)		-
Provisions for liabilities					
Deferred tax liability	17	488,475		492,529	
			(488,475)		(492,529)
Net assets			5,152,408		4,898,024
Equity					
Called up share capital	20		201,000		201,000
Revaluation reserve	21		1,997,474		2,015,479
Retained earnings	21		2,953,934		2,681,545
Total equity			5,152,408		4,898,024

The financial statements were approved by the board of directors and authorised for issue on 28 June 2021 and are signed on its behalf by:

Mr A J MacArthur
Director

Company Registration No. 04340639

THE FRANKLYN GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Share capital £	Revaluation reserve £	Retained earnings £	Total £
As restated for the period ended 30 June 2019:					
Balance at 1 July 2018		201,000	2,405,916	2,513,272	5,120,188
Effect of change in accounting policy		-	(372,433)	(2,001)	(374,434)
As restated		201,000	2,033,483	2,511,271	4,745,754
Year ended 30 June 2019:					
Profit for the year		-	-	527,861	527,861
Other comprehensive income:					
Tax relating to other comprehensive income		-	11,672	-	11,672
Total comprehensive income for the year		-	11,672	527,861	539,533
Dividends	10	-	-	(387,263)	(387,263)
Transfers		-	(29,676)	29,676	-
Balance at 30 June 2019		201,000	2,015,479	2,681,545	4,898,024
Year ended 30 June 2020:					
Profit for the year		-	-	605,734	605,734
Other comprehensive income:					
Tax relating to other comprehensive income		-	15,468	-	15,468
Total comprehensive income for the year		-	15,468	605,734	621,202
Dividends	10	-	-	(366,818)	(366,818)
Transfers		-	(33,473)	33,473	-
Balance at 30 June 2020		201,000	1,997,474	2,953,934	5,152,408

THE FRANKLYN GROUP LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

		2020		2019 as restated	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	28		813,970		835,638
Interest paid			(375)		(501)
Income taxes paid			(57,650)		(92,554)
Net cash inflow from operating activities			<u>755,945</u>		<u>742,583</u>
Investing activities					
Purchase of property, plant and equipment		(119,512)		(59,875)	
Interest received		<u>1,077</u>		<u>531</u>	
Net cash used in investing activities			<u>(118,435)</u>		<u>(59,344)</u>
Financing activities					
Dividends paid		(366,818)		(387,263)	
Net cash used in financing activities			<u>(366,818)</u>		<u>(387,263)</u>
Net increase in cash and cash equivalents			<u>270,692</u>		<u>295,976</u>
Cash and cash equivalents at beginning of year			<u>388,594</u>		<u>92,618</u>
Cash and cash equivalents at end of year			<u><u>659,286</u></u>		<u><u>388,594</u></u>

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

Company information

The Franklyn Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Gatehouse, 9 Manor Road, Harrogate, North Yorkshire, HG2 0HP.

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, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Business combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

1.3 Going concern

The directors have adopted the going concern basis in preparing these accounts, after assessing the principal risks and having considered the impact of a severe downside scenario for COVID-19. The directors considered the impact of the current COVID-19 environment on the business for the next 12 months and in the longer term. Whilst the situation evolves daily, making scenario forecasting difficult, the directors have considered a number of impacts on fee income, profitability and cash flow. They have assumed that due to the nature of the trade of the business, with residential care services being an essential supply to many private and Local Authority clients, business operations will continue into the future, with the requirement for such services likely to increase rather than contract. Whilst the biggest risk faced would be a significant reduction in occupancy resulting from COVID-19, due to the nature of the trade there is expected to be a continued regenerating income stream going forward and any consequential effect would therefore likely manifest itself primarily in a cash flow timing issue as opposed to a significant downturn in company profitability. However, the company has sufficient cash reserves and has taken advantage of Government financial support available to enable it to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements. The directors believe from their regular review of the company's financial position and performance that the company is well placed to manage its financing and business risks satisfactorily and they therefore consider it appropriate to adopt the going concern basis in preparing these accounts.

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.4 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the supply of care services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where payments are received from customers in advance of services provided the amounts are recorded as deferred income and included as part of payables due within one year.

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

1.5 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	2% straight line
Fixtures and fittings	15% straight line
Computers	15% straight line
Motor vehicles	25% reducing balance

Freehold land is not depreciated.

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.

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in equity; such gains and losses are recognised in profit or loss.

1.6 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

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

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

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

1.7 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell.

Cost is calculated using the weighted average method.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 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 statement of financial position 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 trade and other receivables 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.

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, 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 payables 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 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 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 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.

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.12 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 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.

1.13 Retirement benefits

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

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

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.

3 Revenue

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

	2020	2019
	£	£
Revenue analysed by class of business		
Provision of residential care	3,051,824	2,810,069

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

3 Revenue (Continued)

	2020	2019
	£	£
Other significant revenue		
Interest income	1,077	531
Grants received	13,787	-
	<u>14,864</u>	<u>531</u>

4 Operating profit

	2020	2019
	£	£
Operating profit for the year is stated after charging/(crediting):		
Government grants	(13,787)	-
Fees payable to the company's auditor for the audit of the company's financial statements	10,560	14,683
Depreciation of owned property, plant and equipment	139,824	128,754
Depreciation of property, plant and equipment held under finance leases	1,175	-
	<u>147,772</u>	<u>143,437</u>

5 Employees

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

	2020	2019
	Number	Number
Directors	3	2
Care home staff	75	64
Administration	5	5
Total	<u>83</u>	<u>71</u>

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	1,310,021	1,269,150
Social security costs	90,955	75,562
Pension costs	22,148	13,787
	<u>1,423,124</u>	<u>1,358,499</u>

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

6	Directors' remuneration	2020	2019
		£	£
	Remuneration for qualifying services	13,062	16,414
	Company pension contributions to defined contribution schemes	75	72
		<u>13,137</u>	<u>16,486</u>
7	Investment income	2020	2019
		£	£
	Interest income		
	Interest on bank deposits	1,077	531
		<u>1,077</u>	<u>531</u>
	Investment income includes the following:		
	Interest on financial assets not measured at fair value through profit or loss	1,077	531
		<u>1,077</u>	<u>531</u>
8	Finance costs	2020	2019
		£	£
	Other finance costs:		
	Other interest	375	501
		<u>375</u>	<u>501</u>
9	Taxation	2020	2019
		£	£
	Current tax		
	UK corporation tax on profits for the current period	96,271	115,302
		<u>96,271</u>	<u>115,302</u>
	Deferred tax		
	Origination and reversal of timing differences	11,414	3,766
		<u>11,414</u>	<u>3,766</u>
	Total tax charge	<u>107,685</u>	<u>119,068</u>

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

9 Taxation

(Continued)

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

	2020 £	2019 £
Profit before taxation	713,419	646,929
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	135,550	122,917
Tax effect of expenses that are not deductible in determining taxable profit	463	-
Tax effect of income not taxable in determining taxable profit	(657)	-
Group relief	(37,532)	(29,529)
Capital allowances in excess of depreciation	8,508	11,853
Deferred tax adjustment in respect of prior years	-	3,766
Deferred tax on accelerated capital allowances	11,414	-
Adjustment for prior year adjustment	(10,061)	10,061
Taxation charge for the year	107,685	119,068

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2020 £	2019 £
Deferred tax arising on:		
Revaluation of property	(15,468)	(11,672)

10 Dividends

	2020 Per share £	2019 Per share £	2020 Total £	2019 Total £
Ordinary				
Final paid	1.82	1.93	366,818	387,263
Total dividends				
Final paid			366,818	387,263

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

11 Property, plant and equipment

	Freehold land and buildings	Fixtures and fittings	Computers	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 July 2019	6,101,596	428,571	4,716	31,400	6,566,283
Additions	-	86,514	1,153	82,686	170,353
At 30 June 2020	6,101,596	515,085	5,869	114,086	6,736,636
Depreciation and impairment					
At 1 July 2019	81,413	240,735	3,374	20,133	345,655
Depreciation charged in the year	82,215	51,438	330	7,016	140,999
At 30 June 2020	163,628	292,173	3,704	27,149	486,654
Carrying amount					
At 30 June 2020	5,937,968	222,912	2,165	86,937	6,249,982
At 30 June 2019	6,020,183	187,836	1,342	11,267	6,220,628

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2020 £	2019 £
Motor vehicles	55,215	-

Land and buildings with a carrying amount of £6,024,000 were revalued in February 2018 by Knight Frank, independent valuers not connected with the company on the basis of market value. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2020 £	2019 £
Cost	3,591,123	3,591,123
Accumulated depreciation	(95,880)	(47,940)
Carrying value	3,495,243	3,543,183

Property, plant and equipment with a carrying amount of £6,249,982 (2019 - £6,220,628) have been pledged to secure borrowings of the company. Further information is provided in Note 20.

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

12 Inventories

	2020 £	2019 £
Patient requisites	4,350	4,350

The carrying amount of inventories includes £4,350 (2019 - £4,350) pledged as security for liabilities. Further information is provided in Note 20.

13 Trade and other receivables

	2020 £	2019 £
Amounts falling due within one year:		
Trade receivables	23,177	90,115
Other receivables	19,332	500
Prepayments and accrued income	29,254	39,831
	<u>71,763</u>	<u>130,446</u>

The carrying amount of trade and other receivables includes £71,763 (2019 - £130,446) pledged as security for liabilities. Further information is provided in Note 20.

14 Current liabilities

	Notes	2020 £	2019 £
Obligations under finance leases	16	12,710	-
Trade payables		70,578	64,388
Amounts owed to group undertakings		844,972	1,064,801
Corporation tax		153,923	115,302
Other taxation and social security		19,218	15,612
Other payables		107,594	20,710
Accruals and deferred income		97,372	72,652
		<u>1,306,367</u>	<u>1,353,465</u>

15 Non-current liabilities

	Notes	2020 £	2019 £
Obligations under finance leases	16	38,131	-

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

16 Finance lease obligations

	2020	2019
	£	£
Future minimum lease payments due under finance leases:		
Within one year	12,710	-
In two to five years	38,131	-
	<u>50,841</u>	<u>-</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

17 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	42,422	31,008
Revaluations	446,053	461,521
	<u>488,475</u>	<u>492,529</u>
		2020 £
Movements in the year:		
Liability at 1 July 2019		492,529
Charge to profit or loss		11,415
Credit to other comprehensive income		(15,469)
Liability at 30 June 2020		<u>488,475</u>

Of the deferred tax liability set out above, an amount of £12,141 is expected to reverse within 12 months and relates to accelerated capital allowances.

Of the deferred tax liability set out above, an amount of £15,468 is expected to reverse within 12 months and relates to revaluation of freehold property.

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

18 Deferred grants

Government grants totalling £62,615 were received in the year in connection with coronavirus funding. Of this amount, £29,236 has not yet been fully utilised as at 30 June 2020, and so is recognised in other creditors. In addition, as at 30 June 2020 an amount of £19,591 remains in other creditors to be released in line with the accounting policy for capital grants. No grants were received in 2019.

19 Retirement benefit schemes

	2020	2019
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	22,148	13,787

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.

20 Share capital

	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
201,000 Ordinary of £1 each	201,000	201,000

Ordinary shares carry voting rights but have no right to fixed income or fixed repayment of capital.

21 Reserves

Revaluation reserve

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which are revalued to fair value. At the end of each reporting period a transfer is made to retained earnings to transfer the excess depreciation that has been charged in the income statement which relates to the revalued portion of the assets. In respect of revaluation gains, deferred tax is recognised and is initially debited to the revaluation reserve. The amount of deferred tax recognised is adjusted on an annual basis for any movement in amounts debited or credited to the revaluation reserve in the year. Current year corporation tax is not required to be recognised in respect of any amounts debited or credited to the revaluation reserve.

22 Financial commitments, guarantees and contingent liabilities

At 30 June 2020, the company had secured borrowings of its ultimate parent company, Franklyn Care Limited, by way of a first legal charge over the property and other assets and an intercompany guarantee up to an amount of £5,200,000. At 30 June 2020, the maximum exposure of the company in respect of amounts drawn by the parent company was £3,689,531 (2019: £4,368,183).

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

23 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	47,849	47,980
Between two and five years	76,348	124,197
	<u>124,197</u>	<u>172,177</u>

24 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2020 £	2019 £
Acquisition of property, plant and equipment	23,229	-
	<u>23,229</u>	<u>-</u>

25 Events after the reporting date

Subsequent to the year end, £38,623 was spent on a new roof and £59,869 on a new lift at one of the care homes, and a total of £65,724 on building and setting up new visitor cabins at each home along with one new head office cabin.

26 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2020 £	2019 £
Aggregate compensation	<u>16,052</u>	<u>16,548</u>

Transactions with related parties

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

	Services received		Services provided	
	2020 £	2019 £	2020 £	2019 £
Other related parties	7,294	5,172	12,058	13,063
	<u>7,294</u>	<u>5,172</u>	<u>12,058</u>	<u>13,063</u>

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

26 Related party transactions (Continued)

	2020 £	2019 £
Amounts due to related parties		
Entities with control, joint control or significant influence over the company	430,975	647,920
Other related parties	413,997	416,881
	<u>844,972</u>	<u>1,064,801</u>

Included in the amounts above is an amount owed to the company's parent of £430,975, and an amount owed to a fellow group subsidiary of £413,997. These loans are unsecured and interest free.

The following amounts were outstanding at the reporting end date:

	2020 £	2019 £
Amounts due from related parties		
Other related parties	1,139	1,799
	<u>1,139</u>	<u>1,799</u>

Included in the amounts above is an amount of £1,139 (2019: £1,799) in connection with trade debts of a related party.

27 Ultimate controlling party

The ultimate parent company is Franklyn Care Ltd, whose registered office is The Gatehouse, 9 Manor Road, Harrogate, England, HG2 0HP. Copies of the group accounts are available to the public and can be obtained from the registered office.

The smallest and largest group into which the company is consolidated is Franklyn Care Limited.

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

28 Cash generated from operations

	2020 £	2019 £
Profit for the year after tax	605,734	527,861
Adjustments for:		
Taxation charged	107,685	119,068
Finance costs	375	501
Investment income	(1,077)	(531)
Depreciation and impairment of property, plant and equipment	140,999	128,754
Movements in working capital:		
Decrease in trade and other receivables	58,683	21,459
(Decrease) increase in trade and other payables	(98,429)	38,526
Cash generated from operations	813,970	835,638

29 Analysis of changes in net funds

	1 July 2019 £	Cash flows £	New finance leases £	30 June 2020 £
Cash at bank and in hand	388,594	270,692	-	659,286
Obligations under finance leases	-	-	(50,841)	(50,841)
	<u>388,594</u>	<u>270,692</u>	<u>(50,841)</u>	<u>608,445</u>

30 Prior period adjustment

The accounts for the prior year ended 30 June 2019 have been restated to present amounts related to the revaluation of freehold land and property, on the basis that such amounts were previously overstated, as well as to include timing differences related to wages. The financial effect of this adjustment is shown below.

Changes to the statement of financial position

	As previously reported £	Adjustment at 1 Jul 2018 £	Adjustment at 30 Jun 2019 £	As restated at 30 Jun 2019 £
Fixed assets				
Property, plant and equipment	6,349,945	(173,404)	44,087	6,220,628
Creditors due within one year				
Other payables	(1,169,596)	-	(52,955)	(1,222,551)
Provisions for liabilities				
Deferred tax	(303,171)	(201,030)	11,672	(492,529)
Net assets	<u>5,269,654</u>	<u>(374,434)</u>	<u>2,804</u>	<u>4,898,024</u>

THE FRANKLYN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

30 Prior period adjustment

(Continued)

	As previously reported	Adjustment at 1 Jul 2018	Adjustment at 30 Jun 2019	As restated at 30 Jun 2019
Capital and reserves				
Revaluation reserve	2,352,238	(372,433)	35,674	2,015,479
Profit and loss	2,716,416	(2,001)	(32,870)	2,681,545
Total equity	5,269,654	(374,434)	2,804	4,898,024

Changes to the income statement

	As previously reported	Adjustment	As restated
Period ended 30 June 2019	£	£	£
Administrative expenses	(2,154,302)	(8,868)	(2,163,170)
Profit for the financial period	536,729	(8,868)	527,861

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.