

Mental Health Care (Clwyd) Limited

Registered number: 02120462

Directors' report and audited financial statements

For the year ended 30 June 2023

MENTAL HEALTH CARE (CLWYD) LIMITED

COMPANY INFORMATION

Directors	M L Oatway N Kelly G K O'Malley S M Weir S E L Jones D Russell (appointed 1 June 2023)
Registered number	02120462
Registered office	Alexander House Highfield Park Llandymog Denbighshire LL16 4LU
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 1 St Peter's Square Manchester M2 3DE
Bankers	Barclays Bank plc 3rd Floor Windsor Court 3 Windsor Place Cardiff CF10 3ZL

CONTENTS

	Page
Directors' Report	1 - 3
Independent Auditor's Report	4 - 7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 22

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

The Directors present their report and the financial statements for the year ended 30 June 2023.

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 to 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.

Principal activity

The Company's principal activity is the provision of residential care for people with mental health conditions and challenging behaviour.

Directors

The Director who served during the year was:

M L Oatway
N Kelly
G K O'Malley
S M Weir
S E L Jones
D Russell (appointed 1 June 2023)

Going concern

The COVID-19 health outbreak financial impact can now be assessed and it is apparent that the overall affect has not been material in determining the going concern status of the group headed by MRA UK Investments Limited ("the group") and its subsidiaries. The group is still considered to be sufficiently agile to be prepared to respond to any adverse effects that may still arise, to minimise the impact on the financial performance of the group. The Company continues to generate profits and is in a net assets position.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2023**

Principal risks and uncertainties

The directors consider the key risks and uncertainties facing the Company to be as follows:

Competitive pressure in a market for specialist challenging behaviour services is a continuing risk for the Company as a number of alternative providers exist across the UK. The group (headed by the ultimate parent MRA UK Investments Limited) continues to mitigate for this risk by developing services which are sufficiently differentiated from the competition by means of both the behavioural models applied and the niche client groups cared for by the group.

The service users are wholly funded by public sector sources. Consequently the group is therefore exposed to risks surrounding changes in government policies and the impact of enacted and planned reductions in spending on health and social care. This risk is mitigated by providing robust evidence of quality and service user outcomes, as well as ensuring that the group continues to contract with a wide range of funding providers. The group will continue to review and amend its cost base to counteract funding changes.

The directors have considered the MRA group and subsidiary companies trading and cash flows for the foreseeable future taking into account reasonably possible changes in trading performance. After making enquiries and taking into account the uncertainties arising from the current economic circumstances, the directors have a reasonable expectation that the Company and the MRA group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Economic impact of global events

UK businesses are currently facing many uncertainties such as the consequences of Brexit, COVID-19, environmental sustainability and geopolitical events such as the Russian invasion of Ukraine. These uncertainties have contributed to an environment where there exists a range of issues and risks, including inflation, rising interest rates, labour shortages, disrupted supply chains and new ways of working.

The Directors have carried out an assessment of the potential impact of these uncertainties on the business, including the impact of mitigation measures, and have concluded that these are non-adjusting events with the greatest impact on the business expected to be from the economic ripple effect on the global economy. The Directors have taken account of these potential impacts in their going concern assessment.

Mental Health Care (Clywd) Limited continues to work with its partners to minimise any impacts of these events and maximise the realisation of any opportunities they may provide to the business.

Future developments

The Company's strategy is to continually improve the quality of the services provided and to increase its capacity. Delivery of this has progressed during the financial year, through continued investment in the development of our employees and refurbishment of our existing properties and facilities.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Directors have taken all the steps that ought to have been taken as Directors in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

MENTAL HEALTH CARE (CLWYD) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2023**

Post balance sheet events

There have been no post balance sheet events to disclose within the financial statements.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 4 March 2024 and signed on its behalf.

N Kelly
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MENTAL HEALTH CARE (CLWYD) LIMITED

Opinion

We have audited the financial statements of Mental Health Care (Clwyd) Limited (the 'Company') for the year ended 30 June 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MENTAL HEALTH CARE (CLWYD) LIMITED

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In 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 Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MENTAL HEALTH CARE (CLWYD) LIMITED

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 1, 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 intend either 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MENTAL HEALTH CARE (CLWYD) LIMITED

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the cut off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit 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.

Neil Barton (Senior Statutory Auditor)

for and on behalf of

Mazars LLP

Chartered Accountants and Statutory Auditor

1 St Peter's Square

Manchester
M2 3DE

6 March 2024

MENTAL HEALTH CARE (CLWYD) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 £	2022 £
Turnover		1,352,041	1,096,632
Cost of sales		(769,002)	(666,580)
Gross profit		<u>583,039</u>	<u>430,052</u>
Administrative expenses		(215,083)	(164,634)
Other operating income		-	108,238
Profit before tax		<u>367,956</u>	<u>373,656</u>
Tax on profit	5	(79,125)	(2,298)
Profit for the financial year		<u><u>288,831</u></u>	<u><u>371,358</u></u>

There were no recognised gains and losses for 2023 or 2022 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2023 (2022:£NIL).

The notes on pages 11 to 22 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets	6	404,998	397,430
		<u>404,998</u>	<u>397,430</u>
Current assets			
Debtors: amounts falling due within one year	7	2,127,865	1,736,687
Cash at bank and in hand	8	7,605	9,291
		<u>2,135,470</u>	<u>1,745,978</u>
Creditors: amounts falling due within one year	9	(536,609)	(432,701)
Net current assets		<u>1,598,861</u>	<u>1,313,277</u>
Total assets less current liabilities		<u>2,003,859</u>	<u>1,710,707</u>
Provisions for liabilities			
Deferred tax	10	(31,781)	(27,460)
		<u>(31,781)</u>	<u>(27,460)</u>
Net assets		<u>1,972,078</u>	<u>1,683,247</u>
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account	12	1,971,978	1,683,147
		<u>1,972,078</u>	<u>1,683,247</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

N Kelly
Director

Date: 4 March 2024

The notes on pages 11 to 22 form part of these financial statements.

MENTAL HEALTH CARE (CLWYD) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 July 2021	100	1,311,789	1,311,889
Comprehensive income for the year			
Profit for the year	-	371,358	371,358
Total comprehensive income for the year	-	371,358	371,358
At 1 July 2022	100	1,683,147	1,683,247
Comprehensive income for the year			
Profit for the year	-	288,831	288,831
Total comprehensive income for the year	-	288,831	288,831
At 30 June 2023	<u>100</u>	<u>1,971,978</u>	<u>1,972,078</u>

The notes on pages 11 to 22 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

1. General information

Mental Health Care (Clwyd) Limited is a private company limited by shares, incorporated in the United Kingdom and registered in England & Wales. The registered office is Alexander House, Highfield Park, Llandyrnog, Denbighshire, LL16 4LU.

The Company's principal activity is the provision of residential care for people with mental health conditions and challenging behaviour.

These financial statements have been presented in Pound Sterling as this is the currency of the primary economic environment in which the Company operates.

Monetary amounts in these financial statements have been rounded to the nearest £.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of MRA UK Investments Limited as at 30 June 2023 and these financial statements may be obtained from the Registrar of Companies whose address is Companies House, Crown Way, Cardiff, CF14 3UZ.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2. Accounting policies (continued)

2.3 Going concern

The COVID-19 health outbreak financial impact can now be assessed and it is apparent that the overall affect has not been material in determining the going concern status of the group headed by MRA UK Investments Limited ("the group") and its subsidiaries. The group is still considered to be sufficiently agile to be prepared to respond to any adverse effects that may still arise, to minimise the impact on the financial performance of the group. The Company continues to generate profits and is in a net assets position.

2.4 Revenue

Turnover comprises revenue recognised for the provision of health and social care residential and in-patient services and ancillary services. Revenue is recognised exclusive of trade discounts and sales taxes. Revenue paid in advance is included in deferred income until the service is provided. Revenue in respect of services provided but not yet invoiced by the period end is included within accrued income.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 50 years straight line
Motor vehicles	- 5 years straight line
Fixtures & fittings	- 5 years straight line
Assets under construction	- not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.6 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2. Accounting policies (continued)

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

2.9 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2. Accounting policies (continued)

2.10 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.11 Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

2.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions the actual results and outcomes may differ.

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.

Critical judgements in applying the Company's accounting policies

The critical judgements that the Directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

Assessing indicators of impairment

In assessing whether there have been any indicators of impaired assets, the Directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverability of receivables

The Company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the Directors consider factors such as the aging of the receivables, past experience of recoverability and the credit profile of individual or groups of customers.

Determining residual values and useful economic lives of tangible fixed assets

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

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value, management aim to assess the amount that the Company would currently obtain for the disposal of the asset if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

4. Employees

The average monthly number of employees, including the Directors, during the year was as follows:

	2023	2022
	No.	No.
Service management and care staff	<u>28</u>	<u>30</u>

5. Taxation

	2023	2022
	£	£
Corporation tax		
Current tax on profits for the year	<u>74,804</u>	<u>-</u>
	<u>74,804</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	<u>4,321</u>	<u>2,298</u>
Taxation on profit on ordinary activities	<u>79,125</u>	<u>2,298</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

5. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2022 - lower than) the standard rate of corporation tax in the UK of 20.5% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	<u>367,956</u>	<u>373,656</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.5% (2022 - 19%)	75,431	70,995
Effects of:		
Fixed asset differences	2,930	(14,302)
Group relief surrendered / (Claimed)	-	(54,947)
Remeasurement of deferred tax for changes in tax rate	<u>764</u>	<u>552</u>
Total tax charge for the year	<u><u>79,125</u></u>	<u><u>2,298</u></u>

Factors that may affect future tax charges

From 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

6. Tangible fixed assets

	Freehold property £	Motor vehicles £	Fixtures & fittings £	Assets under construction £	Total £
Cost					
At 1 July 2022	497,331	11,295	68,528	-	577,154
Additions	-	-	22,755	5,042	27,797
At 30 June 2023	497,331	11,295	91,283	5,042	604,951
Depreciation					
At 1 July 2022	131,447	753	47,524	-	179,724
Charge for year	9,306	2,259	8,664	-	20,229
At 30 June 2023	140,753	3,012	56,188	-	199,953
Net book value					
At 30 June 2023	356,578	8,283	35,095	5,042	404,998
At 30 June 2022	365,884	10,542	21,004	-	397,430

Included in freehold property is freehold land at cost of £65,000 (2022 - £65,000), which is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

7. Debtors

	2023 £	2022 £
Trade debtors	142,395	81,438
Amounts owed by group undertakings	1,975,541	1,632,207
Other debtors	-	1,802
Prepayments and accrued income	9,929	21,240
	<u>2,127,865</u>	<u>1,736,687</u>

Amounts owed by group undertaking are interest free and repayable on demand.

8. Cash and cash equivalents

	2023 £	2022 £
Cash at bank and in hand	<u>7,605</u>	<u>9,291</u>

9. Creditors: Amounts falling due within one year

	2023 £	2022 £
Trade creditors	13,425	33,813
Amounts owed to group undertakings	332,118	285,396
Corporation tax	74,804	-
Other taxation and social security	15,049	30,004
Other creditors	2,572	4,120
Accruals and deferred income	98,641	79,368
	<u>536,609</u>	<u>432,701</u>

Amounts owed to group undertaking are interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

10. Deferred taxation

	2023 £	2022 £
At beginning of year	(27,460)	(25,162)
Charged to the Statement of Comprehensive Income	(4,321)	(2,298)
At end of year	(31,781)	(27,460)

The provision for deferred taxation is made up as follows:

	2023 £	2022 £
Fixed asset timing differences	(32,039)	(27,849)
Short term timing differences	258	389
	(31,781)	(27,460)

11. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
100 (2022 - 100) Ordinary shares of £1 each	100	100

The Company has one class of ordinary shares which carry voting rights, but no right to fixed income.

12. Reserves

Profit & loss account

The profit & loss account comprises accumulated profits and losses less any dividends declared by the Statement of Financial Position date.

13. Pension commitments

The Company operates a defined contributions pension scheme for its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £9,337 (2022 - £9,634). Contributions totalling £2,412 (2022 - £3,636) were payable to the fund at the Statement of Financial Position date and are included in creditors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

14. Related party transactions

The Company has taken advantage of the exemption in FRS 102 section 33 not to disclose transactions with other wholly owned members of the group.

No other transactions with related parties were undertaken such as are required to be disclosed under FRS102 section 33.

15. Ultimate parent undertaking and controlling party

The immediate parent company is MHC (Social Care) Limited, a Company incorporated in England and Wales.

The smallest company into which the Company is consolidated is Mental Health Care (U.K) Limited, copies of these financial statements are available from Companies House.

The Company's ultimate parent undertaking is MRA UK Investments Limited, a Company registered in England and Wales, which prepares consolidated financial statements and is the largest group into which the Company is consolidated. As at 30 June 2023 the Company's ultimate controlling party was Mr M Adey.

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.