

Somerset Care Limited

**Annual Report and Consolidated Financial Statements
Year Ended 31 March 2023**

Registration number: 02548025

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Somerset Care Limited

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Somerset Care Limited

Company Information

Directors

A J Dupont MBE DL
G S Ridewood BSC ACA
E V Glynn
J A Pearson
R P Ring BA FCA
E J Robb OBE
C J Wall BA FCA

Registered office

Acacia House
Blackbrook Park Avenue
Taunton
Somerset
TA1 2PX

Solicitors

Burges Salmon LLP
One Glass Wharf
Bristol
BS2 0ZX

Bankers

Barclays Bank Plc
4th Floor, Bridgewater House
Counterslip
Finzels Reach
Bristol
BS1 6BX

Auditors

PKF Francis Clark
Statutory Auditor
Ground Floor
Blackbrook Gate 1
Blackbrook Business Park
Taunton
Somerset
TA1 2PX

Somerset Care Limited

Strategic Report

Year Ended 31 March 2023

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

Principal Activity

The principal activities of Somerset Care Limited ("Somerset Care") and its subsidiary companies ("The Group") are the provision of care and support services. We provide accommodation care and support for older and disabled people in people's own homes; in supported living settings; and in care homes.

Somerset Care has 24 operational care homes across the south of England and also offers a range of care and support services to enable independent living. Somerset Care operates a 'Realise' specialist service focussing on the needs of those with learning disabilities, as well as a 'Petals' service focussing on dementia.

Somerset Care is a company limited by guarantee with no share capital.

Business and financial highlights

The group's key financial and other performance indicators during the year were as follows:

	Unit	2023	2022
Group turnover	£'000	81,285	71,606
Earnings before interest, tax, depreciation & amortisation	£'000	5,059	4,512
Net cash / (debt)	£'000	639	(1,167)
Residential care occupancy (% fee earning beds)	%	83.7	79.1
Homecare delivery (average funded hours per week) : SCL		7,507	9,356
Homecare delivery (average funded hours per week) : Way Ahead		4,093	4,063
Learning disability delivery levels (average hours per week)		5,832	6,234
Average number of employees		2,557	2,821

Review of the business

The result for the year, after taxation amounts was a profit of £265,276 (2022 - £1,580,676). The group has no shareholders and consequently no dividends are distributed.

Occupancy performance in the year ended 31 March 2023 continued to improve following the significant negative impact of Covid-19 on Residential occupancy nationally. Homecare and Learning Disability hours of delivery declined due to external sector pressures such as staffing and funding.

No further grant income was provided by central government during the year following the support given to the Health and Care sector during Covid-19 in the previous year (£3.5m). PPE was funded until March 2023.

The cash position of the group increased to £20,585,044 (2022 - £20,011,722) which helped strengthen the net cash position to £638,615 (2022 – net debt £1,166,849), primarily due to efficient control over working capital and prioritisation of business investment.

The Board of Somerset Care took the difficult decision to close two care homes in Somerset, Oak Trees (Bridgwater) and Sunningdale Lodge (Yeovil). These closures were completed by September 2023. Many of our staff and residents have moved into our other homes. These closures reflect the age and costs associated with running the buildings.

Due to strategic reasons the Board of Somerset Care decided to sell our Inver House (Bembridge, Isle of Wight) care home. The sale completion took place after the year end.

A number of asset impairments have been recognised in the accounts due to the closures above. The business value of our portfolio however remains significantly above the historical cost valuation reported in the accounts.

Our strategy continues to focus on delivering quality, efficiency and growth.

Somerset Care Limited

Strategic Report

Year Ended 31 March 2023

Residential Care - We remain committed to offering high quality care homes for dementia, frailty and nursing care. We also operate a specialist physical disability service at our Halcon Centre in Taunton. Increasingly, we are working closely at the interface between health and care, delivering intermediate care which aims to improve outcomes for older and disabled people, whilst relieving pressure on hospitals.

Community Services (including Way Ahead) - Community Services continued to focus on delivering high quality sustainable home care in our core areas of Somerset, Bath and North East Somerset and Wiltshire by increasing the hours. These services include many Extra Care Housing schemes.

Realise Learning Disability Services - Our Realise brand is focused on high quality supported living services for people with learning disabilities and/or other complex care needs.

Future developments

The directors expect occupancy in our Residential homes to increase in Financial Year 2024. We will continue to focus on delivering high quality care and ensuring financial sustainability in all of our services.

There continues to be recruitment and retention challenges across the business, although recent improvements in our net recruitment from a number of initiatives have seen reductions in agency costs particularly in our residential services. The directors will continue to focus on growth and efficiencies so as to continue to increase the number of permanent employees operating in these services.

Suitable going concern site acquisition and developments that increase business profitability will also be considered as they arise.

Carbon Energy Reporting

The Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the government's latest policy on Streamlined Energy and Carbon Reporting (SECR). SECR replaced the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) in April 2019. This new framework aims to simplify carbon and energy reporting requirements while still ensuring that companies have the information required to understand and reduce their emissions and energy costs.

Somerset Care is mindful of the impact on the climate by energy consumed, the level of wasted energy, and the cost of basic fuel prices that impact on the cost of delivering our services. Our ESG Policy sets out our ambition and commitments to work in partnership with our people, customers and community which we serve to ensure Somerset Care is an environmentally-responsible, socially-aware and well-governed not-for-profit care provider.

We have focused our environmental efforts on four main areas; energy, water, waste and suppliers. Actions against these are summarised below.

Energy

Energy savings in the year have been achieved through: Environmental awareness engagement, property rationalisation and investment in energy technology efficiency.

Water

In Financial Year 2022, we set ourselves the target of reducing water usage by 5%. Whilst our actual water usage this year is likely to be lower than previous years, definitive data is unfortunately unavailable due to unreliable or defective water meters. In Financial Year 2022, work was carried out to identify and replace older water meters which gave inaccurate readings. New data, with a network of accurate meters, now provides more reliable data against which we can track our progress.

Somerset Care Limited

Strategic Report

Year Ended 31 March 2023

Waste Management and Recycling

We have set ourselves reduction targets in this area with our achievements in the year shown below :

- Reduce overall waste by 5% - Achieved a 7% reduction
- Reduce general waste by 20% - Achieved a 10% reduction
- Increase recycling by 20% - Achieved a 13% increase

A new food waste recycling scheme has been introduced although there is no data yet to report. In December 2022 new Recycling bins were installed. Waste contracts are currently in the procurement tendering process and waste management will influence this and any future waste management contract outcomes.

Supplier Contribution

It was our aim that 100% of our contractors would have their own ESG policy. Unfortunately, because we work with a varied supplier network which includes sole traders, this commitment proved to be unrealistic and has not been achieved. However, as part of our supplier approval process, we are asking that suppliers sign up to our ESG principles.

Energy Summary

Overall we have improved our energy efficiency as reported below :-

	FY2023	FY2023	FY2022	FY2022
	Consumption (kwh)	CO2e (tonnes)	Consumption (kwh)	CO2e (tonnes)
Electricity (kWh)	4,284,034	828	4,488,128	953
Natural Gas (kWh)	11,056,045	2,028	11,640,814	2,132
Other (Litres - Gas oil, Petrol, Diesel)	3,992	-	1,704	4
Grey fleet (mileage)	1,638,143	450	1,968,192	543
Carbon offsets	-	(828)	-	(953)
Total	16,982,214	2,478	18,098,838	2,679

Section 172 Statement

The directors of Somerset Care Limited have clear regard to their responsibilities and in particular the requirements set out in section 172(1) (a) to (f). The Board of Directors meet on a regular basis and ensure the key aspects of their responsibilities are discharged at these meetings. Key aspects of the Board Agenda in the 2023 financial year that demonstrate compliance with Section 172(1) (a) to (f) are shown in the report below.

Somerset Care Limited

Strategic Report

Year Ended 31 March 2023

Section 172(1)(a) to (f) requirements	Board Agenda Item(s)
The likely consequences of any decision in the long term	<p>Business performance is regularly assessed by the Board, and the longer-term implications of decisions are assessed against our strategic criteria.</p> <p>A review of our current services has been undertaken to assess their current trading performance and the suitability of those services to provide future care. This was presented to the Board, and an action plan agreed to align with our strategy of Quality, Efficiency and Growth.</p> <p>Inflationary pressures, in particular on wages and salaries and utilities and food costs, have been reviewed by the Board. Consequently, actions were taken to limit future exposure to material cost increases for example by fixing our energy prices for a year resulting in lower fixed rates from the next contract renewal January 2024. Pay reviews are considered in line with future trading.</p> <p>The Board have assessed the longer-term sustainability of the business through a previously produced 5-year business plan.</p> <p>Risks are considered by the Audit and Risk Committee regularly using a risk framework that includes a corporate risk register. The risks associated with any strategic decision are reviewed and weighed up against expected future benefits to understand the consequences of such risks.</p>
The interests of the company's employees	<p>The Board has continued to confirm its commitment to our staff. Staff wellbeing is discussed extensively. A People and Well-Being strategy has been implemented and refreshed during the year. As part of this strategy "speak up" champions were recruited amongst existing staff from across the business. These champions identify and relay any staffing issues or concerns to the Senior Leadership Team and Board. A Non-Executive member of the Board oversees this process.</p> <p>In February 2023 we implemented a pay increase for all of our staff. The basic minimum rate of pay for all care staff increased from £10.50 to £10.90 per hour. This demonstrates Somerset Care's ongoing commitment to paying all of our employees fairly for their work. It also represents a significant premium over the National Minimum Wage of £10.50 per hour. Over the last 2 years carer pay has been increased by over 20%.</p> <p>Board behaviour is aligned with the expectations of our employees, our customers and the local communities that we serve. The group has a clear set of values, which the Board adheres to and actively promotes. These values include connecting with people, making a difference, doing the right thing and embracing change. These are reinforced by a set of behaviours that promote the fair treatment of our employees, as well as our customers and other stakeholders.</p> <p>The Board continues to recognise the amazing efforts of our carers and support teams in the face of significant challenges. The Board takes its responsibility to ensure the Health and Safety of our staff, residents and other stakeholders seriously. A Health and Safety Committee, attended by senior managers and directors, is held bi-monthly.</p>

<p>The need to foster the company's business relationships with suppliers, customers and others</p>	<p>The Board prioritises the improvement of services to existing customers, whilst also bringing new customers to Somerset Care in order to best support our local communities. The Board promotes the need to develop and maintain strong client relationships and strengthen links with local communities.</p> <p>Somerset Care is proud to support local businesses and communities in Somerset (and beyond) and endeavours to buy local goods and services wherever possible.</p> <p>Risks to Somerset Care, including its business relationships, are identified in our Corporate Risk Register (CRR) with actions taken to mitigate key risks identified. Risk management is embedded within the decision-making framework at Somerset Care with the CRR reviewed quarterly at our Audit and Risk Committee.</p> <p>The Board discusses all new business relationships above an agreed materiality level before they are committed. In doing this the Board considers how these relationships can be enhanced and managed to create value and benefit for Somerset Care and its suppliers and customers.</p>
<p>The impact of the company's operations on the community and the environment</p>	<p>The recent Covid pandemic and the impact on our residents, community and stakeholders has been discussed extensively. The Board reviews and discusses infection prevention and control as well as associated policies, for example, PPE policy. It is committed to controlling and minimising the impact of infections in order to provide safe services.</p> <p>Somerset Care Limited established an ESG working group. This group defined a strategy to reduce our carbon impact, improve energy efficiency, reduce waste and reduce our overall footprint. Targets have been set and are monitored by the ESG working group who meet regularly to track performance and discuss/implement new ideas and ways of working. Our efforts to reduce the emissions impact of our business are detailed in the carbon energy section of the strategic report.</p> <p>Issues that impact the ability of the business to grow are discussed by the Board of Directors. Acquisition opportunities are thoroughly discussed and assessed via due diligence to understand future financial performance and the impact on the communities and customers we serve. This provides insights on the critical investments that are being made and committed to in order to improve the group's impact on the community and the environment.</p>
<p>The desirability of the company maintaining a reputation for high standards of business conduct</p>	<p>The Board holds a quarterly Audit and Risk Committee where the governance requirements of the business are discussed and various policies relating to the way the Board wish the business to operate are approved.</p> <p>As stated above, company values are actively promoted by the Board. These are linked to behaviours that promote honesty, integrity and responsibility in our dealing with all stakeholders of the business.</p> <p>A quarterly Quality Committee reviews best practice, and specific care home and care service quality improvement plans.</p>
<p>The need to act fairly for members</p>	<p>The Board consists of a majority of four non-Executive Directors (including the Chair of the Board) who provide impartial guidance to the Board to ensure the group considers the interest of all members.</p>

Somerset Care Limited

Strategic Report

Year Ended 31 March 2023

Principal risks and uncertainties

The group is exposed to a variety of financial, operational, reputational, regulatory and strategic risks and uncertainties. The group has risk management processes in place which are designed to identify, evaluate and mitigate these risks, based on the probability of them occurring and the impact they may have on the business.

The Directors are aware that these risks and uncertainties may, either singularly or collectively, affect the group's turnover, costs, asset value, reputation or ability to meet its business objectives and have developed a detailed strategy to mitigate those risks.

This has contributed to improved funding and lending covenants as well as reduced gearing supporting our forward investment plans.

The Board is aware of our responsibilities and that some of these risks could impact on the older and vulnerable people we serve. A thorough review of the Corporate Risk Register has recently been undertaken and it is regularly scrutinised and discussed by the Board.

Inflation

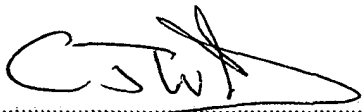
Somerset Care is impacted by the current levels of high inflation, particularly on staffing costs, utilities (electricity and gas) and food expenditure. Our current fixed price contract for electricity and gas expires in December 2023 and we have taken the opportunity to extend this for another year from January 2024 achieving lower prices when costs reduce versus the current contract. This gives us more certainty and control over these costs. Other contracted supplies, including food and cleaning supplies are reviewed regularly and negotiated to ensure we achieve value for money.

Availability of suitably qualified staff

The Care sector, in-line with many other sectors, is experiencing an acute staffing shortage. Somerset Care experienced a significant reduction in qualified care staff in both the 2022 and 2023 financial years. The directors have mitigated this through a number of measures including staff incentive initiatives and increasing staff pay above the National Minimum Wage.

Somerset Care also employs an external specialist recruitment agent to support our recruitment. This has had an impact but recruiting and retaining suitably qualified staff in the current market remains a challenge extending across the Health and Care plus wider sectors.

Approved by the Board on 30th November 2023 and signed on its behalf by:



C J Wall BA FCA
Director

Somerset Care Limited

Directors' Report

Year Ended 31 March 2023

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

Directors of the group

The directors who held office during the year were as follows:

A J Dupont MBE DL
G S Ridewood BSC ACA
E V Glynn
R P Ring BA FCA
E J Robb OBE

N M Kelly resigned 31 August 2022.

J A Pearson and C J Wall were appointed 26th October 2023.

Corporate governance

The Board of Somerset Care is collectively accountable to the group's members for good corporate governance. We aim to follow best practice guidance in accordance with the UK Corporate Governance Code and adopt the underlying principles of all good governance accountability, transparency, and focus on the sustainable success of the group over the longer term.

The culture, values, strategy and performance of the group are the collective responsibility of the Board. At each Board meeting the Board considers and reviews the group's financial and business performance, addresses strategic issues, and monitors quality assurance, high-level risk analysis and mitigation. It has a formal written schedule of matters reserved for its review and approval.

The Board meets regularly with additional meetings for strategic reviews arranged as required. Formal agenda and reports are provided to the Board on a timely basis, along with other information to enable it to discharge its duties.

Quality Committee

The Quality Committee chaired by a Non Executive Director meet regularly during the year and considers matters relating to key Quality service issues. Quality remains our top priority and the Committee reviews best practices in terms of the high quality standards we require of our services.

Audit and Risk Committee

The Audit and Risk Committee chaired by a Non Executive Director meets regularly during the year and considers matters related to the reporting of key business and financial results, business risk, financial controls, plus organisational internal control and audit issues. The statutory auditors report independently to the Committee on key audit and risk issues.

The Board is satisfied that the group's auditors, PKF Francis Clark, have been objective and independent.

Remuneration Committee

The group has a Remuneration Committee, with a wholly Non-Executive Director membership, which meets as and when required to consider executive remuneration. The remuneration of Non-Executive Directors is overseen by the Board with no Director involved in setting his or her own remuneration. Details of Directors Remuneration can be found in Note 8 to the financial statements.

Somerset Care Limited

Directors' Report

Year Ended 31 March 2023

Internal Financial Control

The Board is responsible for ensuring that the group maintains a system of internal financial controls. The objective of the system is to safeguard group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is timely and reliable. These provide reasonable assurance against material loss or misstatement.

All the day-to-day operational decisions are taken by the Executive Directors, in accordance with the group's strategy. The Executive Directors are also responsible for initiating commercial transactions and approving payments, save for those relating to their own employment.

The key internal controls include specific levels of delegated authority and the segregation of duties; the review of pertinent commercial, financial and other information by the Board on a regular basis; the prior approval of all significant strategic decisions; and maintained a formal strategy for business activities.

Financial risk

The Board of Directors tasks the group Audit and Risk Committee with monitoring and managing financial risk.

Treasury and financial risk

As at 31 March 2023 the group's net cash was £638,615 (31 March 2022 net debt £1,166,849). Further details are provided in Note 18.

Debt is kept at a manageable level, with gearing no higher than necessary, whilst enabling the group to continue its investment strategy. Recognising the group has a variable working capital, with cash balances moving significantly during any given month, any surplus cash is invested as optimally as possible for variable lengths of time, linked to projected cash flow and lending profiles.

Interest rate risk

Interest rate risk is managed through one interest rate swap derivative applied to a proportion of the debt. Further details are provided in Note 25.

Credit risk

The group is not exposed to significant credit risk due to clearly defined and implemented credit control procedures applied at a local level. It benefits from major contracts with a mixture of local authorities, with elements of up-front cash flow funding. Private debt is managed through clear credit control procedures assisted by direct debit collection with the group.

Pensions

The company operates two separate defined benefit pension schemes, which must be funded to meet benefit requirements. The original Somerset Council scheme was closed to new applicants in 1995. The schemes are subject to risk regarding the value of their assets, which is affected by the value of investments, and the returns generated by them, compared with their liabilities. In turn, these are influenced by changes in life expectancy and actual and expected price inflation. Pension liabilities are viewed as a high risk to the business and mitigating actions are in place, monitored by the Finance, Audit and Systems Committee. The company makes contributions to the schemes which are determined by qualified actuaries to meet its funding obligations. The group also has a defined benefit contribution pension scheme.

Employment of disabled persons

The group offers equal opportunities to all applicants for employment. Disabled people are offered employment, training, staff development and promotion on the basis of their aptitude and abilities, in common with all employees.

Somerset Care Limited

Directors' Report

Year Ended 31 March 2023

Employee involvement

Somerset Care continues to invest in training, aimed at enhancing the number of staff holding nationally accredited qualifications in care and other subjects. Staff continue to be encouraged to attain professional qualifications through the Qualification Credit Framework (QCF), including Certificates and Diplomas in Health and Social Care, and other subjects. The group has a genuine and real commitment to staff training and personal development across its operations.

The directors wish to place on record their sincere thanks to the group staff for the extremely high standard of care and support they provide for our customers. Their commitment and dedication continues to be outstanding.

The group encourages and develops employee involvement, consultation and information through representation at Board level, team meetings at all levels, and specific consultation.

Going concern

The financial statements have been prepared on a going concern basis. The directors are satisfied, having made all necessary inquiries and considered the financial projections for the group, including cash flow forecasts, the availability of committed bank facilities and headroom for the coming 12 months, that the group will continue to meet its liabilities as they fall due. Further details are provided in Note 2.

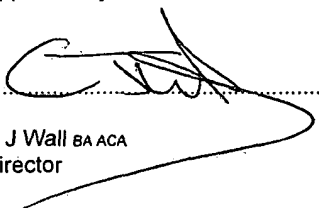
Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

A resolution to re-appoint PKF Francis Clark as the group's auditor will be put to the forthcoming annual general meeting.

Approved by the Board on ^{30th November} 2023 and signed on its behalf by:



C J Wall BA ACA
Director

Somerset Care Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 group and parent company and of the surplus or deficit of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent 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.

Somerset Care Limited

Independent Auditor's Report to the Members of Somerset Care Limited

Opinion

We have audited the financial statements of Somerset Care Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated and Parent Company's Balance Sheet, Consolidated and Parent Company's Statement of Changes in Equity, Consolidated 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2023 and of the group's 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Somerset Care Limited

Independent Auditor's Report to the Members of Somerset Care Limited

Opinion on other matter 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 Statement of Directors' Responsibilities set out on page 11, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Somerset Care Limited

Independent Auditor's Report to the Members of Somerset Care Limited

As part of our audit planning, through discussions with management, we obtained an understanding of the legal and regulatory framework that is applicable to the company and the sector in which it operates to identify the key laws and regulations affecting the company.

The company operates in the health and adult social care sector which is regulated by the Care Quality Commission (CQC). The regulator sets out a constantly evolving list of regulations that all care homes must follow such as compliance with key laws and regulations including Health and Safety, Manual Handling and Food Hygiene regulations. CQC carry out routine inspections to ensure care homes are following these regulations and have the power to bring legal proceedings against any home that does not comply.

We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, primarily the Companies Act 2006, the reporting framework (FRS 102), and relevant tax compliance regulations in the UK.

We discussed with management how the compliance with these laws and regulations is monitored and we discussed the policies and procedures in place. We also identified the individuals who have responsibility for ensuring that the entity complies with laws and regulations and deals with reporting any issues if they arise. As part of our planning procedures, we assessed the risk of any non-compliance with laws and regulations on the company's ability to continue trading and the risk of material misstatement to the accounts.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

- Enquiries of management and those charged with governance regarding their knowledge of any non-compliance with laws and regulations that could affect the financial statements; and
- Review of latest CQC reports.

As part of our enquiries, we discussed with management whether there have been any known instances, allegations or suspicions of fraud, of which there were none identified by management. There were also no instances that we became aware of which could have a material impact on the financial statements.

We also evaluated the risk of fraud through management override of controls including that arising from management's incentives. The key risk we identified was fraudulent financial reporting to meet the companies bank loan covenants.

In response to the identified risk, as part of our audit work we:

- Used data analytics to test journal entries throughout the year and yearend adjustments, for appropriateness; and
- Reviewed estimates and judgements made in the accounts for any indication of bias and challenged assumptions used by management in making the estimates.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

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

Somerset Care Limited

Independent Auditor's Report to the Members of Somerset Care Limited

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.



.....
Duncan Leslie (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

Ground Floor
Blackbrook Gate 1
Blackbrook Business Park
Taunton
Somerset
TA1 2PX

Date: 30/11/2023

Somerset Care Limited

Consolidated Profit and Loss Account

Year Ended 31 March 2023

	Note	2023 £	2022 £
Turnover	3	81,284,550	71,605,729
Cost of sales		<u>(68,641,450)</u>	<u>(62,139,393)</u>
Gross surplus		12,643,100	9,466,336
Administrative expenses		<u>(11,151,367)</u>	<u>(10,828,270)</u>
Other operating income	4	<u>278,400</u>	<u>2,949,377</u>
Operating surplus	6	1,770,133	1,587,443
Other interest receivable and similar income	10	746,673	652,106
Interest payable and similar charges	11	<u>(1,013,139)</u>	<u>(710,724)</u>
Profit before tax		1,503,667	1,528,825
Taxation	12	<u>(1,238,391)</u>	<u>51,851</u>
Profit for the financial year		<u>265,276</u>	<u>1,580,676</u>

The group has no recognised gains or losses for the year other than the results above.

Somerset Care Limited

Consolidated Statement of Comprehensive Income

Year Ended 31 March 2023

	2023 £	2022 £
Profit for the year	265,276	1,580,676
Remeasurement gain on defined benefit pension schemes before tax	7,959,000	2,740,000
Movement on deferred tax relating to pension liability	(1,994,500)	(685,000)
	<u>5,964,500</u>	<u>2,055,000</u>
Total comprehensive income for the year	<u>6,229,776</u>	<u>3,635,676</u>

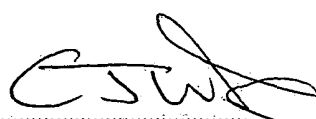
Somerset Care Limited

Consolidated Balance Sheet

31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	13	1,674,914	1,884,777
Tangible assets	14	44,178,086	45,653,642
		<u>45,853,000</u>	<u>47,538,419</u>
Current assets			
Stocks	16	159,290	282,438
Debtors	17	6,476,832	8,270,717
Cash at bank and in hand	18	20,585,044	20,011,722
		<u>27,221,166</u>	<u>28,564,877</u>
Creditors: Amounts falling due within one year	19	(12,615,665)	(12,493,481)
Net current assets		<u>14,605,501</u>	<u>16,071,396</u>
Total assets less current liabilities		<u>60,458,501</u>	<u>63,609,815</u>
Creditors: Amounts falling due after more than one year	19	(18,696,429)	(19,928,571)
Provisions for liabilities	22	(5,902,373)	(5,503,668)
Deferred Income	23	(4,010,051)	(4,742,704)
Net assets excluding pension liability		<u>31,849,648</u>	<u>33,434,872</u>
Defined benefit pension scheme net liability	24	(981,000)	(8,796,000)
Net assets		<u>30,868,648</u>	<u>24,638,872</u>
Capital and reserves			
Profit and loss account		<u>30,868,648</u>	<u>24,638,872</u>
Equity attributable to owners of the company		<u>30,868,648</u>	<u>24,638,872</u>
Total equity		<u>30,868,648</u>	<u>24,638,872</u>

Approved and authorised by the Board on 30th November 2022 and signed on its behalf by:


C J Wall BA FCA
Director

Company Registration Number: 02548025

Somerset Care Limited

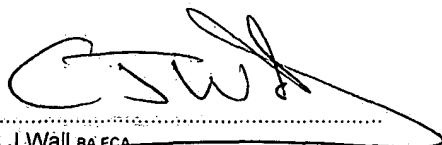
Balance Sheet

31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	13	2,597	13,763
Tangible assets	14	44,167,276	45,626,465
Investments	15	4,524,196	4,524,196
		<u>48,694,069</u>	<u>50,164,424</u>
Current assets			
Stocks	16	159,290	282,438
Debtors	17	4,968,565	6,725,346
Cash at bank and in hand	18	20,248,528	19,747,253
		<u>25,376,383</u>	<u>26,755,037</u>
Creditors: Amounts falling due within one year	19	<u>(15,368,433)</u>	<u>(15,196,255)</u>
Net current assets		<u>10,007,950</u>	<u>11,558,782</u>
Total assets less current liabilities		58,702,019	61,723,206
Creditors: Amounts falling due after more than one year	19	<u>(18,696,429)</u>	<u>(19,928,571)</u>
Provisions for liabilities	22	<u>(5,901,414)</u>	<u>(5,519,773)</u>
Deferred Income	23	<u>(3,628,260)</u>	<u>(3,696,460)</u>
Net assets excluding pension liability		30,475,916	32,578,402
Defined benefit pension net liability	24	<u>(981,000)</u>	<u>(8,796,000)</u>
Net assets		<u>29,494,916</u>	<u>23,782,402</u>
Capital and reserves			
Profit and loss account		<u>29,494,916</u>	<u>23,782,402</u>
Total equity		<u>29,494,916</u>	<u>23,782,402</u>

The company made a loss after tax for the financial year of £251,986 (2022 – profit of £1,193,378) mainly reflecting deferred tax on the Somerset Council pension scheme valuation improvement and also fixed asset impairments.

Approved and authorised by the Board on 30th November 2023 and signed on its behalf by:



C J Wall BA FCA
Director

Company Registration Number: 02548025

Somerset Care Limited

Consolidated Statement of Changes in Equity

Year Ended 31 March 2023

	Profit and loss account £	Total equity £
At 1 April 2022	24,638,872	24,638,872
Profit for the year	265,276	265,276
Other comprehensive income	5,964,500	5,964,500
Total comprehensive income	6,229,776	6,229,776
Transfer on disposal of property	-	-
At 31 March 2023	30,868,648	30,868,648

	Revaluation Reserve £	Profit and loss account £	Total equity £
At 1 April 2021	145,437	20,857,759	21,003,196
Profit for the year	-	1,580,676	1,580,676
Other comprehensive income	-	2,055,000	2,055,000
Total comprehensive income	-	3,635,676	3,635,676
Transfer on disposal of property	(145,437)	145,437	-
At 31 March 2022	-	24,638,872	24,638,872

Somerset Care Limited

Statement of Changes in Equity

Year Ended 31 March 2023

	Profit and loss account £	Total £
At 1 April 2022	23,782,402	23,782,402
Loss for the year	(251,986)	(251,986)
Other comprehensive income	5,964,500	5,964,500
Total comprehensive income	5,712,514	5,712,514
At 31 March 2023	29,494,916	29,494,916

	Profit and loss account £	Total £
At 1 April 2021	20,534,024	20,534,024
Profit for the year	1,193,378	1,193,378
Other comprehensive income	2,055,000	2,055,000
Total comprehensive income	3,248,378	3,248,378
At 31 March 2022	23,782,402	23,782,402

Somerset Care Limited

Consolidated Statement of Cash Flows

Year Ended 31 March 2023

	Note	2023 £	2022 £
Profit for the year		265,276	1,580,676
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	2,417,923	2,869,314
Impairment/Accelerated Deprecation	6	1,069,738	-
(Profit) / Loss on disposal of tangible assets	5	(198,540)	56,150
Finance income	10	(746,673)	(652,106)
Finance costs	11	1,013,139	710,724
Corporation tax (credit)/expense	12	1,238,391	(51,851)
Difference between pension charge and cash contributions		(82,000)	178,950
		<u>4,977,254</u>	<u>4,644,459</u>
Working capital adjustments			
(Increase)/decrease in stocks	16	123,148	32,084
(Increase)/decrease in debtors	17	(884,695)	873,988
Increase/(decrease) in creditors	19	534,191	1,685,233
Increase/(decrease) in provisions	22	97,000	(20,600)
Increase/(decrease) in deferred income, including government grants	23	(732,653)	1,653,219
Cash generated from operations		<u>4,114,245</u>	<u>8,915,781</u>
Corporation tax paid	12	(208,892)	(807,034)
Net cash flow from operating activities		<u>3,905,353</u>	<u>8,108,747</u>
Cash flows from investing activities			
Purchase of a business		-	(2,101,363)
Purchase of tangible assets		(1,998,090)	(1,047,479)
Proceeds from sale of tangible assets		394,388	639,372
Proceeds from sale of intangible assets		-	-
Interest received		290,671	10,904
Net cash flows from investing activities		<u>(1,313,031)</u>	<u>(2,498,566)</u>
Cash flows from financing activities			
Interest paid	11	(769,000)	(692,867)
Repayment of bank borrowing		(1,250,000)	(1,250,000)
Payments to finance lease creditors		-	-
Net cash flows from financing activities		<u>(2,019,000)</u>	<u>(1,942,867)</u>
Net increase in cash and cash equivalents	18	573,322	3,667,314
Cash and cash equivalents at 1 April	18	20,011,722	16,344,408
Cash and cash equivalents at 31 March	18	<u>20,585,044</u>	<u>20,011,722</u>

The notes on pages 23 to 50 form an integral part of these financial statements.

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

1 General information

The company is a company limited by guarantee, incorporated in England and Wales, and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

The address of its registered office and principal place of business is:

Acacia House
Blackbrook Park Avenue
Taunton
Somerset
TA1 2PX

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

The group's financial statements have been prepared in accordance with FRS102 – 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and the Companies Act 2006. There are no material departures from FRS 102.

Basis of preparation

The financial statements were prepared using the historical cost convention except that, as disclosed in the accounting policies, certain items are shown at fair value.

The functional currency of the group and parent company is considered to be pounds sterling.

Summary of disclosure exemptions

The parent company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its individual financial statements. Exemptions have been taken in relation to financial instruments, presentation of profit and loss account, presentation of a cash flow statement and remuneration of key management personnel. Equivalent information is presented in relation to these group accounts.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the group and all subsidiary undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method. The results of companies acquired or disposed of are included in the group profit and loss account after or up to the date that control passes respectively. Associates are accounted for using the equity method.

As a consolidated group profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Going concern

The financial statements have been prepared on a going concern basis.

As at 31 March 2023 the company had net current assets of £10,007,950 (2022 - £11,558,782) and the group had net current assets of £14,605,500 (2022 - £16,071,396).

The company and the group relies on the continued support of its bankers. The directors have prepared cash flow forecasts and financial projections which show that it can operate within agreed bank facilities for at least one year from the approval of these financial statements. The directors have no reason to believe that bank support will not be continued. Accordingly they believe it is appropriate to prepare the financial statements on a going concern basis.

In making their going concern assessment, the directors continue to give consideration to coronavirus on the operations and financial performance of both the Company and the Group, as well as on the residents / service users and their families.

The directors have also given consideration to the on-going challenges of funding and rising costs in the care sector, restrictions on staff availability, and the impact of high inflation, particularly on utilities (electricity/gas) and food. Higher interest rates post-year end have increased the financing costs of Somerset Care, and the situation is being carefully monitored by the directors.

Interest rate increases and volatility is mitigated through a fixed interest rate SWAP contract reported in note 25 to the financial statements.

While recognising that there can be no certainty, having considered these factors and made all necessary enquiries, the directors are satisfied that the company will continue to meet its liabilities as they fall due, and are satisfied that the group and company will continue to operate with sufficient cash headroom for a period of at least 12 months (from the date of approval of these financial statements).

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key judgement that has a significant impact on the financial statements is in respect of going concern, as described above.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

Goodwill. Goodwill arising on the acquisition of Way Ahead Holdings Limited and its subsidiary is capitalised and recognised at cost less accumulated amortisation and accumulated impairment losses. This requires estimation in the amortisation rate used as well as the on-going economic contribution of the assets to the group. The carrying value of goodwill at the year end is £1,672,322 (2022 - £1,871,014).

Investments. Investments in subsidiaries are measured by the company at cost less impairment. This requires estimation of the carrying value of the investment as to whether an impairment has occurred. The carrying value of investments in subsidiaries at the year end is £4,524,196 (2022 - £4,524,196).

Land and buildings. Properties are carried at cost, less accumulated depreciation and any subsequent accumulated impairment loss. This requires estimation in the depreciation rates used as well as assessment of the particular circumstances of each care home to assess whether an indicator of impairment has occurred. Any impairment is determined by comparing the forecasted trading performance of the care home to its carrying value. The carrying value of land and buildings at the year end is £41,282,267 (2022 - £43,334,740).

Trade debtors. Provision is made against amounts which are considered doubtful on a specific client by client basis. The carrying value of trade debtors at the year end is £3,501,329 (2022 - £3,575,125).

Interest rate swaps. Interest rate contracts are valued using market derived projections of future cash flows discounted back to estimated present values. The carrying value at the year end is an asset of £741,863 (2022 - £285,861).

Defined benefit scheme obligation. The present values of the Local Government Pension Schemes defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. The carrying value of the pension scheme net liability at year end is £981,000 (2022 - £8,796,000).

Dilapidation provisions. Provision is made by the group and company in relation to the expected cost of returning leasehold properties to their original condition at the end of the lease term. The carrying amount of the total provisions made as at year end is £2,302,600 (2022 - £2,205,600).

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Revenue recognition

Turnover represents the fair value of consideration receivable, excluding Value Added Tax, in the ordinary course of business for goods and services provided.

Revenue from residents of the group's care homes is recognised, as earned, through the provision of contracted services. Income from other contracts is apportioned on the basis of usage, and accrued or deferred as appropriate.

Rental income is recognised in the period to which the rental relates.

Sale of extra care apartments income is recognised on the completion date.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the assets to which they relate. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation 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 group operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Intangible assets

Intangible assets are stated in the balance sheet at cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets include positive purchased goodwill which is capitalised when acquired and software costs which are capitalised when the service is received and include all directly attributable costs.

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	Over 5-10 years
Computer software	25% on cost

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Asset class	Depreciation method and rate
Freehold buildings	2% - 5% on cost
Long leasehold	2% - 50% reducing balance
Short leasehold	25% on cost
Plant and machinery	20% on cost and straight line over term of lease
Fixtures and fittings	20% on cost
Motor vehicles	25% on cost
Freehold land	Not depreciated

Stocks

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

Provisions

Provisions are recognised when the group has an obligation at the reporting date as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Defined contribution pension obligation

The group operates a defined contribution scheme for some eligible employees. The assets of the scheme are held separately from those of the group. The annual contributions are charged to the profit and loss account.

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Defined benefit pension obligation

The group operates two defined benefit pension schemes for employees. The assets of the schemes are held separately from those of the group. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Capitalisation of borrowing costs

Borrowing costs which are directly attributable to the construction of tangible assets are capitalised as part of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Financial instruments

Classification

The company holds the following financial instruments:

- Short term trade debtors and creditors;
- Short term intra group trading debtors and creditors;
- Bank borrowings; and
- Interest rate swaps.

Basic financial assets and liabilities:

Basic financial assets comprise short term trade balances with third parties and other group companies, and cash and bank balances. Basic financial liabilities comprise short term trade balances with third parties and other group companies. Such instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments.

Derivatives:

The group uses derivative financial instruments in the form of an interest rate swap to reduce exposure to cash flow risk on fluctuations in interest rates. It does not hold derivatives for speculative purposes.

Derivatives are initially recognised at fair value at the date the contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Recognition and measurement

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

3 Turnover

The analysis of the group's turnover for the year by class of business is as follows:

	2023 £	2022 £
Care services	81,229,582	71,554,584
Rent and service charges	54,968	51,145
	<u>81,284,550</u>	<u>71,605,729</u>

The analysis of the group's turnover for the year by market is as follows:

	2023 £	2022 £
UK	<u>81,284,550</u>	<u>71,605,729</u>

4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2023 £	2022 £
Infection Control Fund	-	1,426,436
Rapid Test Fund	-	967,557
Workforce Capacity Fund	-	466,964
Other grants and subsidies	278,400	7,978
Other income	-	80,442
	<u>278,400</u>	<u>2,949,377</u>

Included within Other income is £nil (2022 - £73,282) relating to the Coronavirus Job Retention Scheme (CJRS).

5 Other gains and losses

The analysis of the group's other gains and losses for the year is as follows:

	2023 £	2022 £
Profit/(loss) on disposal of property, plant and equipment	198,540	(56,150)
	<u>198,540</u>	<u>(56,150)</u>

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

6 Operating surplus

Arrived at after charging/(crediting)

	2023 £	2022 £
Depreciation expense	2,208,060	2,646,989
Amortisation expense	209,863	222,325
Fixed asset impairment (accelerated depreciation)	1,069,738	-
Operating lease expense	1,951,510	1,840,028
(Profit)/loss on disposal of property, plant and equipment	(198,540)	56,150

7 Staff costs

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2023 No	2022 No.
Provision of care services	2,436	2,701
Provision of training	3	-
Office and management	118	120
	2,557	2,821

The aggregate payroll costs (including directors' remuneration) were as follows:

	2023 £	2022 £
Wages and salaries	44,476,675	47,960,193
Social security costs	3,904,821	3,930,341
Pension costs, defined contribution scheme	944,311	944,545
Pension costs, defined benefit scheme	289,033	273,643
Redundancy costs	99,129	102,093
	49,713,969	53,210,815

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

8 Director's remuneration

The director's remuneration for the year was as follows:

	2023 £	2022 £
Remuneration	360,416	261,400
Contributions paid to money purchase schemes	19,375	18,750
	<u>379,791</u>	<u>280,150</u>

During the year the number of directors who were receiving benefits was as follows:

	2023 No.	2022 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid director:

	2023 £	2022 £
Remuneration	179,477	163,714
Company contributions to money purchase pension schemes	<u>15,625</u>	<u>15,000</u>
	<u>195,102</u>	<u>178,714</u>

9 Auditors' remuneration

	2023 £	2022 £
Audit of these financial statements	41,266	35,786
Audit of the financial statements of subsidiaries of the company pursuant to legislation	<u>36,124</u>	<u>30,204</u>
	<u>77,390</u>	<u>65,990</u>

Other fees to auditors

All other non-audit services	<u>-</u>	<u>-</u>
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10 Other interest receivable and similar income

	2023 £	2022 £
Bank interest	290,671	10,904
Interest rate swap change in value	<u>456,002</u>	<u>641,202</u>
	<u>746,673</u>	<u>652,106</u>

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

11 Interest payable and similar expenses

	2023 £	2022 £
Interest on bank overdrafts and borrowings	787,139	495,724
Interest on net pension scheme liabilities	226,000	215,000
	<u>1,013,139</u>	<u>710,724</u>

12 Taxation

Tax charged/(credited) in the income statement

	2023 £	2022 £
Current taxation		
UK corporation tax	288,120	508,547
UK corporation tax adjustment to prior periods	689,368	(31,566)
	<u>977,488</u>	<u>476,981</u>
Deferred taxation		
Arising from origination and reversal of timing differences	189,711	86,833
Arising from changes in tax rates and laws	59,910	(647,458)
Arising from adjustments relating to prior periods	11,282	31,793
	<u>260,903</u>	<u>(528,832)</u>
Total deferred taxation		
	<u>260,903</u>	<u>(528,832)</u>
Tax expense in the profit and loss account	<u>1,238,391</u>	<u>(51,851)</u>

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2023 - lower than the standard rate of corporation tax in the UK of 19% (2022 - 19%).

The differences are reconciled below:

	2023 £	2022 £
Profit before tax	1,503,666	1,528,825
Corporation tax at standard rate	285,696	290,477
Effect of revenues exempt from taxation	(128,074)	(122,179)
Effect of expense not deductible in determining taxable profit (tax loss)	421,389	155,559
Deferred tax expense relating to changes in tax rates or laws	59,910	(626,618)
Deferred tax credit from unrecognised temporary difference from a prior period	-	31,743
Adjustment for prior periods	700,649	(31,566)
Tax increase from effect of capital allowances and depreciation	-	261,947
Other tax effects for reconciliation between accounting profit and tax expense (income)		(11,214)
Decrease due to effect of tax incentives	(90,539)	-
Pension	(10,640)	-
Total tax charge	1,238,391	(51,851)

An increase in the long-term UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. Deferred tax balances have been remeasured to reflect this higher long-term rate, with differences recognised in the current year tax charge.

Deferred tax

Group

Deferred tax assets and liabilities

	Asset £	Liability £
2023		
Excess of taxation allowances over depreciation of fixed assets	-	3,663,636
Short term timing differences	(63,864)	-
	(63,864)	3,663,636

There is also a deferred tax asset held within debtors of £245,250 (2022: £2,198,950) in respect of the deferred tax asset recognised on the defined benefit pension scheme liability.

	Asset £	Liability £
2022		
Excess of taxation allowances over depreciation of fixed assets	-	3,389,824
Short term timing differences	(91,756)	-
	(91,756)	3,389,824

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Company

Deferred tax assets and liabilities

	Asset £	Liability £
2023		
Excess of taxation allowances over depreciation of fixed assets	-	3,661,447
Short term timing differences	(62,633)	-
	<u>(62,633)</u>	<u>3,661,447</u>

There is also a deferred tax asset held within debtors of £245,250 (2022: £2,198,950) in respect of the deferred tax asset recognised on the defined benefit pension scheme liability.

	Asset £	Liability £
2022		
Excess of taxation allowances over depreciation of fixed assets	-	3,383,656
Short term timing differences	(69,483)	-
	<u>(69,483)</u>	<u>3,383,656</u>

13 Intangible assets

Group

	Goodwill £	Computer software £	Total £
Cost or valuation			
At 1 April 2022	1,986,917	532,129	2,519,046
Additions	-	-	-
Disposals	-	-	-
At 31 March 2023	<u>1,986,917</u>	<u>532,129</u>	<u>2,519,046</u>
Amortisation			
At 1 April 2022	115,903	518,366	634,269
Amortisation charge	198,697	11,166	209,863
At 31 March 2023	<u>314,600</u>	<u>529,532</u>	<u>844,132</u>
Carrying amount			
At 31 March 2023	<u>1,672,317</u>	<u>2,597</u>	<u>1,674,914</u>
At 31 March 2022	<u>1,871,014</u>	<u>13,763</u>	<u>1,884,777</u>

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Company

	Computer software £	Total £
Cost or valuation		
At 1 April 2022	532,129	532,129
At 31 March 2023	532,129	532,129
Amortisation		
At 1 April 2022	518,366	518,366
Amortisation charge	11,166	11,166
At 31 March 2023	529,532	529,532
Carrying amount		
At 31 March 2023	2,597	2,597
At 31 March 2022	13,763	13,763

14 Tangible fixed assets

Group

	Land and buildings £	Furniture, fittings and equipment £	Other property, plant and equipment £	Total £
Cost or valuation				
At 1 April 2022	58,081,556	4,130,977	5,774,798	67,987,331
Additions	209,672	898,164	890,254	1,998,090
Disposals	(411,734)	(156,077)	(122,680)	(690,491)
At 31 March 2023	57,879,494	4,873,064	6,542,372	69,294,930
Depreciation				
At 1 April 2022	14,746,816	3,204,265	4,382,608	22,333,689
Charge for the year	1,326,654	400,245	481,161	2,208,060
Eliminated on disposal	(237,647)	(142,938)	(114,058)	(494,643)
Impairment/Accelerated Depreciation	761,404	73,211	235,123	1,069,738
At 31 March 2023	16,597,227	3,534,783	4,984,834	25,116,844
Carrying amount				
At 31 March 2023	41,282,267	1,338,281	1,557,538	44,178,086
At 31 March 2022	43,334,740	926,712	1,392,190	45,653,642

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Included within the net book value of land and buildings above is £30,172,121 (2022 - £31,763,233) in respect of freehold land and buildings, £11,079,098 (2022 - £11,547,783) in respect of long leasehold land and buildings and £31,049 (2022 - £23,724) in respect of short leasehold land and buildings.

Capitalised borrowing costs

Within the cost of land and buildings are capitalised borrowing costs of £1,378,165 (2022 - £1,979,193). The capitalisation rate used to determine the amount of finance costs capitalised in previous years was 4.67%.

Company

	Land and buildings £	Furniture, fittings and equipment £	Other property, plant and equipment £	Total £
Cost or valuation				
At 1 April 2022	58,081,556	3,923,875	5,762,777	67,768,208
Additions	209,672	894,541	890,252	1,994,465
Disposals	(411,734)	(156,077)	(122,680)	(690,491)
At 31 March 2023	57,879,494	4,662,339	6,530,349	69,072,182
Depreciation				
At 1 April 2023	14,746,816	3,024,341	4,370,586	22,141,743
Charge for the year	1,326,654	380,253	481,161	2,188,068
Eliminated on disposal	(237,647)	(142,938)	(114,058)	(494,643)
Impairment/Accelerated Depreciation	761,404	73,211	235,123	1,069,738
At 31 March 2023	16,597,227	3,334,867	4,972,812	24,904,906
Carrying amount				
At 31 March 2023	41,282,267	1,327,472	1,557,537	44,167,276
At 31 March 2022	43,334,740	899,534	1,392,191	45,626,465

Included within the net book value of land and buildings above is £30,172,121 (2022 - £31,763,233) in respect of freehold land and buildings, £11,079,098 (2022 - £11,547,783) in respect of long leasehold land and buildings and £31,049 (2022 - £23,724) in respect of short leasehold land and buildings.

Capitalised borrowing costs

Within the cost of land and buildings are capitalised borrowing costs of £1,378,165 (2022 - £1,979,193). The capitalisation rate used to determine the amount of finance costs capitalised in previous years was 4.67%.

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

15 Investments

Company

	2023 £	2022 £
Investments in subsidiaries	<u>4,524,196</u>	<u>4,524,196</u>

On 1 September 2021, the company acquired 100% of the issued share capital of Way Ahead Holdings Limited for a total consideration of £4,524,192.

Subsidiaries

Cost or valuation

	£
At 1 April 2022	4,524,196
Additions	<u>-</u>
At 31 March 2023	<u>4,524,196</u>

Carrying amount

At 31 March 2023	<u>4,524,196</u>
At 31 March 2022	<u>4,524,196</u>

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office and country of incorporation	Holding	Proportion of voting rights and shares held	
			2023	2022
Subsidiary undertakings				
Somerset Care Support Services Limited	Acacia House, Blackbrook Park Avenue, Taunton, TA1 2PX England & Wales	Ordinary shares	100%	100%
Way Ahead Community Services Limited (*)	Acacia House, Blackbrook Park Avenue, Taunton, TA1 2PX England & Wales	Ordinary shares	100%	100%
Way Ahead Holdings Limited	Acacia House, Blackbrook Park Avenue, Taunton, TA1 2PX England & Wales	Ordinary shares	100%	100%
Acacia Facilities Management Limited	Acacia House, Blackbrook Park Avenue, Taunton, TA1 2PX England & Wales	Ordinary shares	100%	100%
Somerset Care at Home Limited	Acacia House, Blackbrook Park Avenue, Taunton, TA1 2PX England & Wales	Ordinary shares	100%	100%

(*) Shares held indirectly

Subsidiary undertakings

Somerset Care Support Services Limited

The principal activity of Somerset Care Support Services Limited is the provision of care and support services.

Way Ahead Community Services Limited

The principal activity of the company is provision of day care at home for the elderly.

Way Ahead Holdings Limited

The principal activity of the company is that of an investment company.

Acacia Facilities Management Limited

The principal activity of Acacia Facilities Management Limited is property management services.

Somerset Care at Home Limited

Somerset Care at Home Limited is a dormant company.

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

16 Stocks

	Group 2023 £	2022 £	Company 2023 £	2022 £
Stocks of consumables	159,290	282,438	159,290	282,438

17 Debtors

	Note	Group 2023 £	2022 £	Company 2023 £	2022 £
Trade debtors		3,501,329	3,575,125	1,654,202	1,660,330
Other debtors		370,659	2,285,665	1,060,564	2,708,473
Prepayments		1,554,608	1,090,813	1,203,563	1,037,429
Derivative financial instruments		741,863	285,861	741,863	285,861
Corporation tax debtor	12	308,373	1,033,253	308,373	1,033,253
		6,476,832	8,270,717	4,968,565	6,725,346
Less non-current portion		(987,113)	(2,484,811)	(987,113)	(2,484,811)
Total current trade and other debtors		5,489,719	5,785,906	3,981,452	4,240,535

Details of non-current trade and other debtors

Group and company

Non-current debtors of £987,113 (2022 - £2,484,811) comprise £245,250 (2022 - £2,198,950) in respect of the deferred tax asset recognised on the defined benefit pension scheme liability and £741,863 (2022 - £285,861) in respect of derivative financial instruments (see Note 25).

18 Cash and cash equivalents

	Group 2023 £	2022 £	Company 2023 £	2022 £
Cash at bank	20,585,044	20,011,722	20,248,528	19,747,253

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Analysis of cash and cash equivalents and net debt

	At 1 April 2022	Cash flow	Transfers	At 31 March 2023
	£	£	£	£
Net cash:				
Cash in hand and at bank	20,011,722	573,322	-	20,585,044
Bank overdrafts	-	-	-	-
	<u>20,011,722</u>	<u>573,322</u>	<u>-</u>	<u>20,585,044</u>
Debt:				
Debt due within 1 year	(1,250,000)	1,250,000	(1,250,000)	(1,250,000)
Debt due after 1 year	(19,928,571)	(17,858)	1,250,000	(18,696,429)
	<u>(21,178,571)</u>	<u>1,232,142</u>	<u>-</u>	<u>(19,946,429)</u>
Net (debt)/funds	<u>(1,166,849)</u>	<u>1,805,464</u>	<u>-</u>	<u>638,615</u>

19 Creditors

	Note	2023 £	Group 2022 £	2023 £	Company 2022 £
Due within one year					
Loans and borrowings	20	1,250,000	1,250,000	1,250,000	1,250,000
Trade creditors		4,167,993	2,815,956	4,121,628	2,783,614
Amounts due to group undertakings		-	-	4,363,408	4,464,436
Social security and other taxes		1,774,660	2,780,312	661,462	1,634,306
Outstanding defined contribution pension costs		135,067	157,444	135,067	157,444
Other creditors		1,824,867	2,277,194	1,699,322	1,997,780
Accruals		3,345,387	3,138,299	3,137,546	2,908,675
Corporation tax	12	117,691	74,276	-	-
		<u>12,615,665</u>	<u>12,493,481</u>	<u>15,368,433</u>	<u>15,196,255</u>
Due after one year					
Loans and borrowings	20	18,696,429	19,928,571	18,696,429	19,928,571
		<u>18,696,429</u>	<u>19,928,571</u>	<u>18,696,429</u>	<u>19,928,571</u>

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

20 Loans and borrowings

	Group 2023 £	2022 £	Company 2023 £	2022 £
Current loans and borrowings				
Bank borrowings	1,250,000	1,250,000	1,250,000	1,250,000

	Group 2023 £	2022 £	Company 2023 £	2022 £
Non-current loans and borrowings				
Bank borrowings	18,696,429	19,928,571	18,696,429	19,928,571

Group and Company

Bank borrowings

The bank loans are denominated in sterling with a nominal interest rate based on the aggregate of the margin, Bank of England Base rate and credit adjustment spread. The margin on the bank loan is 1.6% (2022 – 1.6%). It is subject to a leverage ratio, and the final instalment is due on 28 March 2026. The carrying amount at year end is £19,946,429 (2022 - £21,178,571).

Somerset Care Limited has entered into an interest rate swap contract for a notional amount of £12,343,750. The swap has a fixed interest rate of 1.258% and the maturity date is 28 March 2026. Hedge accounting under FRS 102 has not been applied and movements in fair values are recognised immediately in the profit and loss account.

The bank loans are secured over various group properties.

21 Obligations under leases

Group

Operating leases

The total of future minimum lease payments is as follows:

	2023 £	2022 £
Not later than one year	1,789,037	967,549
Later than one year and not later than five years	3,422,891	3,145,398
Later than five years	14,098,695	13,822,466
	<u>19,310,623</u>	<u>17,935,413</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,951,510 (2022 - £1,840,028).

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Company

Operating leases

The total of future minimum lease payments is as follows:

	2023 £	2022 £
Not later than one year	1,743,718	895,452
Later than one year and not later than five years	3,407,138	3,101,367
Later than five years	14,098,695	13,822,466
	<u>19,249,551</u>	<u>17,819,285</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,832,389 (2022 - £1,762,907).

22 Deferred tax and other provisions

Group

	Deferred tax £	Dilapidation provisions £	Total £
At 1 April 2022	3,298,068	2,205,600	5,503,668
Increase in existing provisions	<u>301,705</u>	<u>97,000</u>	<u>398,705</u>
At 31 March 2023	<u>3,599,773</u>	<u>2,302,600</u>	<u>5,902,373</u>

Company

	Deferred tax £	Dilapidation provisions £	Total £
At 1 April 2022	3,314,173	2,205,600	5,519,773
Increase in existing provisions	<u>284,641</u>	<u>97,000</u>	<u>381,641</u>
At 31 March 2023	<u>3,598,814</u>	<u>2,302,600</u>	<u>5,901,414</u>

Provisions have been recognised in respect of liabilities under property leases. It is anticipated that the rectification works will commence during the financial year 2024.

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

23 Deferred income

	Group		Company	
	2023 £	2022 £	2023 £	2022 £
Deferred income	3,715,721	4,359,952	3,333,930	3,313,708
Government grants	294,330	382,752	294,330	382,752
	<u>4,010,051</u>	<u>4,742,704</u>	<u>3,628,260</u>	<u>3,696,460</u>

Group

	Deferred income £	Government grants £
At 1 April 2022	4,359,952	382,752
Received during the year	3,715,721	-
Released to profit during the year	<u>(4,359,952)</u>	<u>(88,422)</u>
At 31 March 2023	<u>3,715,721</u>	<u>294,330</u>

Company

	Deferred income £	Government grants £
At 1 April 2022	3,313,708	382,752
Received during the year	3,333,930	-
Released to profit during the year	<u>(3,313,708)</u>	<u>(88,422)</u>
At 31 March 2023	<u>3,333,930</u>	<u>294,330</u>

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

24 Pension schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £944,311 (2022 - £944,545).

Contributions totalling £135,067 (2022 - £157,444) were payable to the scheme at the end of the year and are included in creditors.

Defined benefit pension schemes

Somerset Care Limited operates two defined benefit pension schemes; the Somerset County Superannuation Fund and the Wiltshire Council Pension Fund.

Somerset County Superannuation Fund (SCC Scheme)

The main scheme operated comprises segregated funds of the Somerset Council Superannuation Fund (SC Scheme). This scheme was closed to new applicants in 1995. At the balance sheet date the company's element of the SC scheme had a deficit of £981,000 (2022 - £8,852,000).

In order to fund this deficit, Somerset Care Limited is paying additional contributions to the SCC scheme for eligible staff, as calculated by the scheme's actuary Barnett Waddingham. These cover monthly employer pension contributions for staff remaining in employment plus an annual lump sum benefit recovery payment. The employer pension contributions were 24.8% for the year to 31 March 2023 (2022 - 23.3%). Deficit recovery payments were £nil in the year to 31 March 2023 (2022 - £200,000). Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The current contributions are set to 31 March 2026. There are no minimum funding requirements in the SCC Scheme but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The date of the most recent comprehensive actuarial valuation was 31 March 2022. The valuation used is as at 31 March 2022, the following other reporting sources have been used to ensure that the defined benefit obligation is measured at the reporting date:

- Estimated whole Fund income and expenditure items for the period to 31 March 2023;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2023, and Fund income and expenditure as noted above;
- Estimated Fund income and expenditure in respect of the Employer for the period to 31 March 2023;
- Details of any new early retirements for the period to 31 March 2023 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost; and
- Details of any settlements for the period to 31 March 2023.

The total cost relating to the SCC Scheme defined benefit scheme for the year recognised in profit or loss as an expense was £389,000 (2022 - £394,000).

The total cost relating to the SCC Scheme defined benefit scheme for the year included in the cost of an asset was £Nil (2022 - £Nil).

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2023 £	2022 £
Fair value of scheme assets	22,363,000	24,021,000
Present value of defined benefit obligation	(23,344,000)	(32,873,000)
Defined benefit pension scheme deficit	(981,000)	(8,852,000)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2023 £
Present value at start of year	32,873,000
Current service cost	149,000
Past services costs, including curtailments	-
Interest cost	832,000
Changes in financial assumptions	(8,654,000)
Changes in demographic assumptions	(2,795,000)
Experience losses	2,701,000
Contributions by scheme participants	21,000
Benefits paid	(1,783,000)
Present value at end of year	23,344,000

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2023 £
Fair value at start of year	24,021,000
Interest income	605,000
Return on plan assets, excluding amounts included in interest income/(expense)	(1,050,000)
Admin expenses	(13,000)
Employer contributions	282,000
Contributions by scheme participants	21,000
Benefits paid	(1,783,000)
Other actuarial gains	280,000
Fair value at end of year	22,363,000

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Analysis of assets

The major categories of scheme assets are as follows:

	2023 %	2022 %
Cash and cash equivalents	3	5
Equity instruments	75	72
Property	8	8
Gilts	4	5
Other bonds	10	10
	<u>100</u>	<u>100</u>

Return on scheme assets

	2023 £	2022 £
Return on scheme assets	<u>1,050,000</u>	<u>1,634,000</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2023 %	2022 %
Discount rate	4.80	2.60
Future salary increases	3.90	4.35
Future pension increases	<u>2.90</u>	<u>3.35</u>

Post retirement mortality assumptions

	2023 Years	2022 Years
Current UK pensioners at retirement age - male	21.40	23.00
Current UK pensioners at retirement age - female	23.20	25.00
Future UK pensioners at retirement age - male	22.70	24.00
Future UK pensioners at retirement age - female	<u>24.70</u>	<u>26.00</u>

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Wiltshire Council Pension Fund (Wiltshire Scheme)

At the balance sheet date the Wiltshire scheme had a surplus of £382,000 (2022 - £56,000). In line with accounting guidance the surplus at 31 March 2023 has not been recognised as an asset on the balance sheet.

Pension valuations for the schemes are prepared in line with accounting standards as determined by actuarial assumptions. These are subject to triennial reviews with the company reviewing the actual levels of contributions required as calculated by the respective actuaries.

The date of the most recent comprehensive actuarial valuation was 31 March 2022. The valuation has been projected forward to 31 March 2023 using approximate methods. The roll-forward allows for changes in financial assumptions, additional benefit accrual, estimated cash flows over the period and actual pension increase orders. The next actuarial valuation of the scheme will be carried out as of 31 March 2025.

The total cost relating to the Wiltshire Scheme defined benefit scheme for the year recognised in profit or loss as an expense was £37,000 (2022 - £57,000).

The total cost relating to the Wiltshire Scheme defined benefit scheme for the year included in the cost of an asset was £Nil (2022 - £Nil).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The actuarial valuations are analysed as follows:

	2023 £	2022 £
Fair value of scheme assets	2,154,000	2,383,000
Present value of defined benefit obligation	(1,772,000)	(2,327,000)
Defined benefit pension scheme surplus	382,000	56,000
Asset ceiling	(382,000)	-
Defined benefit pension scheme surplus	-	56,000

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2023 £
Present value at start of year	2,327,000
Current service cost	38,000
Interest cost	62,000
Changes in financial assumptions	(761,000)
Changes in demographic assumptions	(28,000)
Experience losses	218,000
Contributions by scheme participants	5,000
Benefits paid	(89,000)
Present value at end of year	<u>1,772,000</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2023 £
Fair value at start of year	2,383,000
Interest income	63,000
Return on plan assets, excluding amounts included in interest income/(expense)	(205,000)
Contributions by scheme participants	5,000
Benefits paid	(89,000)
Experience losses	(3,000)
Fair value at end of year	<u>2,154,000</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2023 %	2022 %
Equity instruments	55	53
Property	13	13
Other bonds	31	33
Cash	1	1
	<u>100</u>	<u>100</u>

Return on scheme assets

	2023 £	2022 £
Return on scheme assets	<u>(205,000)</u>	<u>138,000</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Somerset Care Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2023	2022
	%	%
Discount rate	4.75	2.70
Future salary increases	3.50	3.60
Future pension increases	3.00	3.20

Post retirement mortality assumptions

	2023	2022
	Years	Years
Current UK pensioners at retirement age - male	20.00	22.00
Current UK pensioners at retirement age - female	24.10	24.00
Future UK pensioners at retirement age - male	20.40	23.00
Future UK pensioners at retirement age - female	25.50	26.00

25 Financial instruments

Group

Categorisation of financial instruments

	2023	2022
	£	£
Financial assets/(liabilities) measured at fair value through profit or loss	741,863	285,861

Financial liabilities measured at fair value

Interest rate swaps

Interest rate swap contracts are valued using market derived projections of future cash flows in respect of the hedging instruments discounted back to estimated present values.

On 5 April 2019 (with an effect date of 28 June 2019), the company entered into an interest rate swap contract for a notional amount of £12,343,750. The swap has a fixed interest rate of 1.258% and the maturity date is 28 March 2026. Hedge accounting under FRS 102 has not been applied and movements in fair values are recognised immediately in the profit and loss account.

The fair value is an asset of £741,863 (2022 – £285,861) and the change in value included in profit or loss is a credit of £456,002 (2022 – a credit of £641,202).

26 Related party transactions

Key management personnel

The directors do not consider any employees other than the directors, whose remuneration is disclosed in note 8, to be key management personnel within the definition contained in FRS 102.