

Company Registration No. 03943652 (England and Wales)

AJ & CO.(DEVON) LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020

AJ & CO.(DEVON) LTD

COMPANY INFORMATION

Directors Mr D J Smallridge
Mrs G M Smallridge

Secretary Mr D J Smallridge

Company number 03943652

Registered office Ludbrook House
Ludbrook
Ivybridge
Devon
PL21 0LL

Auditor Azets Audit Services
20 Western Road
Launceston
Cornwall
PL15 7BA

AJ & CO.(DEVON) LTD

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AJ & CO.(DEVON) LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JULY 2020

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

Fair review of the business

AJ & Co.(Devon) Ltd runs Meadowside and St Francis Residential and Nursing Home as well as Merafield Nursing Home which provide a total of 69 beds and 40 beds respectively in the South Devon area.

The Company has a significant number of private paying residents, in addition to this, a number are funded by local authorities. The company is in constant dialogue regarding the negotiation of funding levels from local authorities.

The measures the company use to monitor it's progress against its objectives are

- Occupancy rates
- Fee Levels
- Margin
- Staff and Agency Costs

The business is supported by strong future demand based on the demographics of the UK population. The segment of the UK population aged over 80 or over is projected to increase from 3,400,000 in 2020 to 6,100,000 in 2037.

The company's growth strategy is to develop and update their existing facilities and improve the care levels it offers.

Where possible the company seeks to employ well qualified and experienced staff.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties are considered to relate to competition from other residential and nursing homes, low local authority fees, staff retention, compliance with care standards and interest rates rises.

In order to mitigate these risks, the company: maintains its property to a high standard, endeavours to maintain a healthy dialogue with the local authorities, seeks it engage well trained and experienced staff, and has long term finance in place.

During the year the Covid-19 pandemic continued throughout the United Kingdom and residential and nursing homes are particularly vulnerable. The company continues to take robust measures in accordance with the Governments advice (regular mass testing, provision of personal protective equipment, and cleaning) to minimise the risk of the virus entering the home and to protect its residents and staff. Well over 90% of staff and residents have been fully vaccinated against Covid-19 which substantially reduces the risk of a significant outbreak in the home.

AJ & CO.(DEVON) LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

Key performance indicators

For the year ended 31st July 2020, the turnover of the Meadowside & St Francis Nursing home has increased by 10.7% to £3,103,146 with occupancy rates remaining at 86%. The gross profit margin had improved from 21.1% to 26.5%. Wages (excluding administrative and Directors) reduced from 72% to 67% of turnover and a net profit of £279,905 (2019 loss of £36,333) was achieved in the year. There was improvement in occupancy rates over the year, until March 2020 when the difficulties of the Coronavirus arose. The home received a good/outstanding CQC report in April 2019.

The Merafield Nursing Home had shown a small reduction in profit over the past year but still performing consistently. The turnover of Merafield Nursing Home had increased by 3.3% to £1,524,866 but with the occupancy rates slightly reducing from 93% to 92% for the year to 31st July 2020. The gross profit margin had also reduced from 26.2% to 23.6%. Wages (excluding administrative) slightly increased to 69% of turnover. Overall a net profit before tax of £46,516 was achieved compared to a profit of £76,052 in the previous year. The home received a good/outstanding CQC report in January 2020.

On behalf of the board

Mr D J Smalridge
Director

26 April 2021

AJ & CO.(DEVON) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2020

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

Principal activities

The principal activity of the company continued to be that of the operation of a Nursing and Residential Home.

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £125,620. The directors do not recommend payment of a final dividend.

Directors

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

Mr D J Smallridge
Mrs G M Smallridge

Statement of disclosure to auditor

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

On behalf of the board

Mr D J Smallridge
Director

26 April 2021

AJ & CO.(DEVON) LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 JULY 2020

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

AJ & CO.(DEVON) LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AJ & CO.(DEVON) LTD

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

AJ & CO.(DEVON) LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AJ & CO.(DEVON) LTD

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mr Andrew Baker FCA (Senior Statutory Auditor)
for and on behalf of Azets Audit Services

29 April 2021

20 Western Road
Launceston
Cornwall
PL15 7BA

AJ & CO.(DEVON) LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2020

		2020	2019
	Notes	£	£
Turnover		4,628,010	4,277,015
Cost of sales		(3,444,296)	(3,298,428)
Gross profit		1,183,714	978,587
Administrative expenses		(887,050)	(842,281)
Other operating income		116,261	-
Operating profit	2	412,925	136,306
Interest payable and similar expenses	5	(86,504)	(96,588)
Profit before taxation		326,421	39,718
Tax on profit	6	(62,547)	(2,654)
Profit for the financial year		263,874	37,064

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

AJ & CO.(DEVON) LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2020

	2020	2019
	£	£
Profit for the year	263,874	37,064
Other comprehensive income	-	-
Total comprehensive income for the year	<u>263,874</u>	<u>37,064</u>

AJ & CO.(DEVON) LTD

BALANCE SHEET

AS AT 31 JULY 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Goodwill	8	162,187		203,437	
Tangible assets	9	4,580,233		4,604,035	
		<u>4,742,420</u>		<u>4,807,472</u>	
Current assets					
Stocks	10	22,370		19,112	
Debtors	11	418,133		424,331	
Cash at bank and in hand		63,253		11,189	
		<u>503,756</u>		<u>454,632</u>	
Creditors: amounts falling due within one year	12	<u>(480,351)</u>		<u>(524,679)</u>	
Net current assets/(liabilities)			23,405		(70,047)
Total assets less current liabilities			<u>4,765,825</u>		<u>4,737,425</u>
Creditors: amounts falling due after more than one year	13		(2,027,099)		(2,172,846)
Provisions for liabilities					
Deferred tax liability	16	192,847		156,954	
		<u>(192,847)</u>		<u>(156,954)</u>	
Net assets			<u>2,545,879</u>		<u>2,407,625</u>
Capital and reserves					
Called up share capital	18	375,013		375,013	
Share premium account	19	133,170		133,170	
Revaluation reserve	20	1,485,847		1,485,847	
Capital redemption reserve	21	393,915		393,915	
Profit and loss reserves	22	157,934		19,680	
Total equity			<u>2,545,879</u>		<u>2,407,625</u>

The financial statements were approved by the board of directors and authorised for issue on 26 April 2021 and are signed on its behalf by:

Mr D J Smallridge
Director

Company Registration No. 03943652

AJ & CO.(DEVON) LTD

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

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Profit and loss reserves	Total
Notes	£	£	£	£	£	£
Balance at 1 August 2018	375,013	133,170	1,485,847	393,915	111,316	2,499,261
Year ended 31 July 2019:						
Profit and total comprehensive income for the year	-	-	-	-	37,064	37,064
Dividends	-	-	-	-	(128,700)	(128,700)
Balance at 31 July 2019	375,013	133,170	1,485,847	393,915	19,680	2,407,625
Year ended 31 July 2020:						
Profit and total comprehensive income for the year	-	-	-	-	263,874	263,874
Dividends	-	-	-	-	(125,620)	(125,620)
Balance at 31 July 2020	375,013	133,170	1,485,847	393,915	157,934	2,545,879

AJ & CO.(DEVON) LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2020

		2020	2019
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	27	523,150	304,548
Interest paid		(86,504)	(96,588)
Income taxes refunded/(paid)		6,129	-
Net cash inflow from operating activities		<u>442,775</u>	<u>207,960</u>
Investing activities			
Purchase of tangible fixed assets		<u>(24,421)</u>	<u>(26,073)</u>
Net cash used in investing activities		(24,421)	(26,073)
Financing activities			
Repayment of bank loans		(138,009)	(180,990)
Payment of finance leases obligations		(6,753)	(7,853)
Dividends paid		<u>(125,620)</u>	<u>(128,700)</u>
Net cash used in financing activities		<u>(270,382)</u>	<u>(317,543)</u>
Net increase/(decrease) in cash and cash equivalents		147,972	(135,656)
Cash and cash equivalents at beginning of year		<u>(84,719)</u>	<u>50,937</u>
Cash and cash equivalents at end of year		<u><u>63,253</u></u>	<u><u>(84,719)</u></u>
Relating to:			
Cash at bank and in hand		63,253	11,189
Bank overdrafts included in creditors payable within one year		<u>-</u>	<u>(95,908)</u>

AJ & CO.(DEVON) LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies

Company information

AJ & Co.(Devon) Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Ludbrook House, Ludbrook, Ivybridge, Devon, PL21 0LL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

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

The Directors have considered the current Covid-19 pandemic and the associated impact and risks to the business and have put in place measures (see note 26) to minimise these risks. Well over 90% of staff and residents have been fully vaccinated against Covid-19 which substantially reduces the risk of a significant outbreak in the care homes. They have also reviewed the Company's cash flow requirements, and together with unused banking facilities and the ongoing support of the company's bankers, they consider that they would be able to continue in operation for a period of not less than 12 months from the date of approval of the financial statements.

1.3 Turnover

Turnover represents gross income from residents occupation of rooms and the provision of care and nursing facilities. It accrues on a time basis, and is recognised by the company as such. The Company is not VAT registered.

1.4 Intangible fixed assets - goodwill

Goodwill, being the amount paid in connection with the purchase of Meadowside and St Francis in 2004 is being amortised evenly over it's estimated useful life of twenty years.

Goodwill, being the amount paid in connection with the purchase of Merafield in 2015 is being amortised evenly over it's estimated useful life of 10 years.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or deemed cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	20% Reducing Balance
Motor vehicles	25% Reducing Balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

AJ & CO.(DEVON) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies

(Continued)

No depreciation is charged on the Company's properties as depreciation is deemed to be immaterial. The buildings are expected to have long economic lives and very high residual values. The Company's property known as Meadowside/St Francis was revalued in 2012 and this is now regarded as "deemed historic cost" under FRS102.

1.6 Stocks

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

1.7 Cash at bank and in hand

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

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

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

Impairment of financial assets

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

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

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

AJ & CO.(DEVON) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies

(Continued)

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

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

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

Derecognition of financial liabilities

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

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

AJ & CO.(DEVON) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Retirement benefits

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

1.11 Leases

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated lives or the lease term, whichever is shorter.

The interest element of these obligations are charged to the profit & loss over the relevant period. The capital element of the future payments are treated as liabilities.

1.12 Government grants

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

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Operating profit

	2020	2019
	£	£
Operating profit for the year is stated after charging/(crediting):		
Government grants	(116,261)	-
Fees payable to the company's auditor for the audit of the company's financial statements	8,400	7,100
Depreciation of owned tangible fixed assets	44,819	49,936
Depreciation of tangible fixed assets held under finance leases	3,406	4,541
Amortisation of intangible assets	41,250	41,250
	<u> </u>	<u> </u>

AJ & CO.(DEVON) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

3 Employees

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

	2020 Number	2019 Number
Nursing, catering and cleaners	182	183
Administrative	7	8
Total	189	191

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	2,961,544	2,983,687
Social security costs	198,590	201,549
Pension costs	48,212	38,709
	3,208,346	3,223,945

4 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	75,000	75,000
Company pension contributions to defined contribution schemes	485	-
	75,485	75,000

5 Interest payable and similar expenses

	2020 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	86,183	95,718
Other finance costs:		
Interest on finance leases and hire purchase contracts	321	870
	86,504	96,588

6 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	26,654	-

AJ & CO.(DEVON) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

6 Taxation		(Continued)	
	2020 £	2019 £	
Deferred tax			
Origination and reversal of timing differences	35,893	2,654	
	<u> </u>	<u> </u>	
Total tax charge	62,547	2,654	
	<u> </u>	<u> </u>	
The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:			
	2020 £	2019 £	
Profit before taxation	326,421	39,718	
	<u> </u>	<u> </u>	
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	62,020	7,546	
Tax effect of expenses that are not deductible in determining taxable profit	527	808	
Tax effect of utilisation of tax losses not previously recognised	(38,599)	(11,535)	
Permanent capital allowances in excess of depreciation	2,706	3,181	
Deferred tax	35,893	2,654	
	<u> </u>	<u> </u>	
Taxation charge for the year	62,547	2,654	
	<u> </u>	<u> </u>	
7 Dividends			
	2020 £	2019 £	
Interim paid	125,620	128,700	
	<u> </u>	<u> </u>	

AJ & CO.(DEVON) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

8 Intangible fixed assets

	Goodwill £
Cost	
At 1 August 2019 and 31 July 2020	675,000
Amortisation and impairment	
At 1 August 2019	471,563
Amortisation charged for the year	41,250
At 31 July 2020	512,813
Carrying amount	
At 31 July 2020	162,187
At 31 July 2019	203,437

9 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Computers £	Motor vehicles £	Total £
Cost or valuation					
At 1 August 2019	4,390,955	632,334	43,258	41,641	5,108,188
Additions	-	9,691	14,730	-	24,421
At 31 July 2020	4,390,955	642,025	57,988	41,641	5,132,609
Depreciation and impairment					
At 1 August 2019	-	449,798	27,196	27,158	504,152
Depreciation charged in the year	-	38,445	6,158	3,621	48,224
At 31 July 2020	-	488,243	33,354	30,779	552,376
Carrying amount					
At 31 July 2020	4,390,955	153,782	24,634	10,862	4,580,233
At 31 July 2019	4,390,955	182,536	16,062	14,482	4,604,035

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

	2020 £	2019 £
Motor vehicles	10,218	13,624
Depreciation charge for the year in respect of leased assets	3,406	4,541

AJ & CO.(DEVON) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

9 Tangible fixed assets

(Continued)

The land and buildings known as Meadowside & St Francis were revalued during the year ended 31st July 2012 to £3,375,000. This valuation was completed by Jones Lang LaSalle, an independent valuers not connected with the company on the basis of market value.

If disposed of at this valuation, the corporation tax arising would be £137,611. This is now included within the deferred tax provision in the accordance with FRS 102.

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

	2020 £	2019 £
Cost	1,748,964	1,748,964
Accumulated depreciation	-	-
Carrying value	<u>1,748,964</u>	<u>1,748,964</u>

The revaluation surplus is disclosed in note 20.

10 Stocks

	2020 £	2019 £
Stocks	<u>22,370</u>	<u>19,112</u>

11 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	99,390	99,459
Corporation tax recoverable	-	6,129
Other debtors	<u>318,743</u>	<u>318,743</u>
	<u>418,133</u>	<u>424,331</u>

AJ & CO.(DEVON) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

12 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	14	194,053	283,392
Obligations under finance leases	15	1,169	6,753
Trade creditors		97,136	75,106
Corporation tax		26,654	-
Other taxation and social security		53,934	53,271
Other creditors		96,435	97,167
Accrued expenses		10,970	8,990
		<u>480,351</u>	<u>524,679</u>

13 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	14	2,027,099	2,171,677
Obligations under finance leases	15	-	1,169
		<u>2,027,099</u>	<u>2,172,846</u>

14 Loans and overdrafts

	2020 £	2019 £
Bank loans	2,221,152	2,359,161
Bank overdrafts	-	95,908
	<u>2,221,152</u>	<u>2,455,069</u>
Payable within one year	194,053	283,392
Payable after one year	2,027,099	2,171,677
	<u>2,221,152</u>	<u>2,455,069</u>

The above debts are secured by a 1st legal charge dated 08/01/2004 over the freehold property of Meadowside & St Francis, Plymbridge Road, Plympton and a 1st legal charge dated 29/05/2015 over the freehold of Merafield View Nursing Home, Underlane, Plympton.

The debts are also secured against an unlimited debenture dated 19/07/2000 incorporating a fixed and floating charge and the right of set off.

AJ & CO.(DEVON) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

15 Finance lease obligations

	2020	2019
	£	£
Future minimum lease payments due under finance leases:		
Within one year	1,169	6,753
In two to five years	-	1,169
	<u>1,169</u>	<u>7,922</u>

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

16 Deferred taxation

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

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Accelerated capital allowances	55,236	57,941
Tax losses	-	(38,598)
Land and buildings	137,611	137,611
	<u>192,847</u>	<u>156,954</u>
Movements in the year:		2020 £
Liability at 1 August 2019		156,954
Charge to profit or loss		35,893
Liability at 31 July 2020		<u>192,847</u>

17 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>48,212</u>	<u>38,709</u>

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

AJ & CO.(DEVON) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

18 Share capital

	2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital Issued and fully paid				
Ordinary of £1 each	375,013	375,013	375,013	375,013

19 Share premium account

	2020 £	2019 £
At the beginning and end of the year	133,170	133,170

20 Revaluation reserve

	2020 £	2019 £
At beginning and end of year	1,485,847	1,485,847

21 Capital redemption reserve

	2020 £	2019 £
At the beginning and end of the year	393,915	393,915

22 Profit and loss reserves

	2020 £	2019 £
At the beginning of the year	19,680	111,316
Profit for the year	263,874	37,064
Dividends declared and paid in the year	(125,620)	(128,700)
At the end of the year	157,934	19,680

23 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2020 £	2019 £
Aggregate compensation	157,499	159,167

AJ & CO.(DEVON) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

23 Related party transactions

(Continued)

Transactions with related parties

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

Eggs were supplied on an arms length basis to both Meadowside and Merafield homes during the year amounting to £7,035 and £3,517 respectively from 'Ludbrook Ladies'. These were provided by a farming business run by Mr D Smallridge, the director of the Company.

Meat was supplied on an arms length basis to both Meadowside and Merafield homes during the year amounting to £29,420 & £19,216 respectively from 'Ludbrook Butchers'. These were provided by a business run by Mr B Smallridge, the son of the director of the Company Mr D Smallridge.

24 Directors' transactions

During the year the Company operated a loan account with Mr D Smallridge, a director. The loan is interest free and repayable on demand. The loan of £254,994 is owing to the Company and is included in Other Debtors.

£55,000 of the loan to Mr D Smallridge relates to a loan to the director's farming business.

Description	% Rate	Opening balance £	Closing balance £
Loan	-	254,994	254,994
		<u>254,994</u>	<u>254,994</u>

25 Ultimate controlling party

The controlling party is Mr D Smallridge.

26 COVID-19

The United Kingdom has suffered from the Covid-19 pandemic during the final 5 months of the financial year as well as since the year end to the date of approval of these financial statements. The company has only had a handful of infections to date, and has put in place robust measures in accordance with the Government's recommendations to prevent the virus entering the home, including the provision of personal protective equipment for all staff, restricting visiting, regular testing of all staff and residents, thorough cleansing and disinfecting of the home. Well over 90% of staff and residents have been fully vaccinated against Covid-19 which substantially reduces the risk of a significant outbreak in the home. The directors are committed to doing everything possible to minimise the risks of an infection. This is an ongoing situation and the directors are adopting their strategy to manage the ever-changing situation as effectively as possible.

AJ & CO.(DEVON) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

27 Cash generated from operations

	2020 £	2019 £
Profit for the year after tax	263,874	37,064
Adjustments for:		
Taxation charged	62,547	2,654
Finance costs	86,504	96,588
Amortisation and impairment of intangible assets	41,250	41,250
Depreciation and impairment of tangible fixed assets	48,224	54,477
Movements in working capital:		
(Increase) in stocks	(3,258)	(615)
Decrease in debtors	69	47,679
Increase in creditors	23,941	25,450
Cash generated from operations	523,151	304,547

28 Analysis of changes in net debt

	1 August 2019 £	Cash flows £	31 July 2020 £
Cash at bank and in hand	11,189	52,064	63,253
Bank overdrafts	(95,908)	95,908	-
	(84,719)	147,972	63,253
Borrowings excluding overdrafts	(2,359,161)	138,009	(2,221,152)
Obligations under finance leases	(7,922)	6,753	(1,169)
	(2,451,802)	292,734	(2,159,068)

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