
SOMERLEIGH COURT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

SOMERLEIGH COURT LIMITED

COMPANY INFORMATION

Directors G P Heather (appointed 19 January 2024, resigned 19 May 2023)
J M S Smart (appointed 8 February 2023)
S M Nayee
S Stoneham (resigned 19 January 2024)

Registered number 04286432

Registered office 15 Savile Row
London
W1S 3PJ

Independent auditors White Hart Associates (London) Limited
Chartered Accountants and Statutory Auditors
2nd Floor, Nucleus House
2 Lower Mortlake Road
Richmond
TW9 2JA

SOMERLEIGH COURT LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2023**

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 March 2023.

Business review

Somerleigh Court operates a continuing care retirement community in Dorchester and is part of the LifeCare Residences Limited group of companies.

The results of the company show a pre-tax loss of £0.1 million (2022 - pre-tax profit of £0.4 million) and has a net asset position of £3.7 million (2022 - £3.6 million).

Net assets have increased by £0.1 million (2022 - increased by £0.3 million) primarily due to the freehold and nursing home valuations. The valuation in 2023 of the freehold investment property and nursing home held by the company of has increased by £0.3 million against prior year (2022 - remained consistent).

Future outlook

The resales cycle at Somerleigh Court has reached maturity meaning we expect a significant number of resales to take place each year.

Furthermore, the directors are of the opinion, based on the high level of occupancies achieved in the previous years and the strong reputation in the area, the company will continue to grow and deliver strong financial performances in the future years.

Principal risks and uncertainties

The management and execution of the business's strategy are subject to a number of risks.

At the time of writing, management is confident that they have reacted to the global COVID-19 pandemic in a way that has protected its staff and residents and has maintained a platform for future growth. Demand for retirement living continues to outweigh supply and the nursing home continued to maintain high occupancy levels, with any falls regarded as short term. Management therefore believe that the future financial wellbeing of the company has been safeguarded.

The current economic environment with increasing interest rates, energy prices and inflation are being managed through price increases, appropriate negotiation of energy contracts and regular consultations with lending firms. Regular inspection of forecasts, budgeting and cashflow planning further assist in mitigating such risks. The pressures on NHS and the anticipated Government drive to discharge patients earlier would only further the demand for care which the company is prepared for.

Other key business risks and uncertainties affecting the company are considered to relate to competition from other national and independent operators, executive retention, events leading to reputational risk, product availability, regulatory requirements and tightening of the debt markets.

SOMERLEIGH COURT LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Financial key performance indicators

The table below illustrates the number of resales that have taken place, the total resale value and how much of the proceeds were attributable to the company:

	2023		2023		2022		2022	
	No. of Resales	Total Value of Resales (£m)	Company Resales Revenue (£m)		No. of Resales	Total Value of Resales (£m)	Company Resales Revenue (£m)	
Somerleigh Court	11	3.8	0.1		14	4.1	0.1	

Other key performance indicators

This is the occupancy rate at the nursing home at Somerleigh Court. The objective of the company is to maximise the occupancy rate for the nursing home by providing high quality care services. This objective is important to the company as occupancy is a key driver for EBITDA. For the year ended 31 March 2023 the average occupancy at Somerleigh Court was 80% (2022 - 91%). Somerleigh management during FY23 focused on increasing average weekly fee levels and providing the appropriate care types for the home. This resulted in a move away from high-dependency-dementia care as well as a period of upgrade within the home, both of which created a transitional period of lower occupancy.

The lower-than-expected average occupancy in FY23 is therefore viewed as a temporary outcome of the operational improvement process with EBITDA margins improving in FY24.

This report was approved by the board on 8 February 2024 and signed on its behalf.

J M S Smart
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2023**

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

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the company is that of operating and managing care home and a retirement community.

Results and dividends

The (Loss)/profit for the year, after taxation, amounted to (£0.2)million (2022 - 0.4 million).

During the year, no dividend was paid (2022: £Nil).

Directors

The directors who served during the year were:

G P Heather (appointed 19 January 2024, resigned 19 May 2023)

J M S Smart (appointed 8 February 2023)

S M Nayee

S Stoneham (resigned 19 January 2024)

SOMERLEIGH COURT LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023**

Disclosure of information to auditors

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

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

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, White Hart Associates (London) Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 8 February 2024 and signed on its behalf.

J M S Smart
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOMERLEIGH COURT LIMITED

Opinion

We have audited the financial statements of Somerleigh Court Limited (the 'Company') for the year ended 31 March 2023, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, 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 Company's affairs as at 31 March 2023 and of its loss 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 Auditors' 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 United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOMERLEIGH COURT LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

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 or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOMERLEIGH COURT LIMITED (CONTINUED)

Auditors' 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 Auditors' 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:

- We exercise professional judgment and maintain professional skepticism throughout the audit;
- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the deliberate override of internal control;
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made;
- We assess the risk of management override of controls, including testing journal entries and other adjustments for appropriateness, assessing whether the judgements made in making accounting estimates, in particular revenue recognition as well as the valuation of investment properties and property plant and equipment, are indicative of a potential bias; and evaluating the business rationale of significant transactions outside the normal course of business;
- We request and review the minutes of management meetings, and assess any matters identified not already provided for or disclosed that may materially impact the financial statements;
- We conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOMERLEIGH COURT LIMITED (CONTINUED)

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 Auditors' 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.

Ms N A Spoor FCA FCCA (Senior Statutory Auditor)

for and on behalf of

White Hart Associates (London) Limited

Chartered Accountants and Statutory Auditors

2nd Floor, Nucleus House

2 Lower Mortlake Road

Richmond

TW9 2JA

8 February 2024

SOMERLEIGH COURT LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023**

	Note	2023 £000	2022 £000
Turnover	4	2,734	2,788
Cost of sales		(2,311)	(2,175)
Gross profit		423	613
Administrative expenses		(399)	(374)
Other operating income	5	14	210
Operating profit		38	449
Interest payable and similar expenses	9	(142)	(86)
(Loss)/profit before tax		(104)	363
Tax on (loss)/profit	10	(68)	-
(Loss)/profit for the financial year		(172)	363
Other comprehensive income for the year			
Unrealised surplus on revaluation of tangible fixed assets		274	41
Tax on revaluation of freehold property		-	(65)
Other comprehensive income for the year		274	(24)
Total comprehensive income for the year		102	339

The notes on pages 12 to 26 form part of these financial statements.

SOMERLEIGH COURT LIMITED
REGISTERED NUMBER: 04286432

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	2023 £000	2022 £000
Fixed assets			
Tangible assets	11	5,447	5,130
		<u>5,447</u>	<u>5,130</u>
Current assets			
Debtors: amounts falling due within one year	12	1,268	1,425
Cash at bank and in hand	13	59	39
		<u>1,327</u>	<u>1,464</u>
Creditors: amounts falling due within one year	14	(739)	(2,729)
Net current assets/(liabilities)		<u>588</u>	<u>(1,265)</u>
Total assets less current liabilities		<u>6,035</u>	<u>3,865</u>
Creditors: amounts falling due after more than one year	15	(2,000)	-
Provisions for liabilities			
Deferred tax	17	(304)	(236)
		<u>(304)</u>	<u>(236)</u>
Net assets		<u><u>3,731</u></u>	<u><u>3,629</u></u>
Capital and reserves			
Revaluation reserve	19	2,645	2,371
Profit and loss account	19	1,086	1,258
		<u><u>3,731</u></u>	<u><u>3,629</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8 February 2024.

J M S Smart
Director

The notes on pages 12 to 26 form part of these financial statements.

SOMERLEIGH COURT LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023**

	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2021	2,395	895	3,290
Comprehensive income for the year			
Profit for the year	-	363	363
Surplus on revaluation of freehold property	41	-	41
Tax on revaluation of freehold property	(65)	-	(65)
At 1 April 2022	2,371	1,258	3,629
Comprehensive income for the year			
Loss for the year	-	(172)	(172)
Surplus on revaluation of freehold property	274	-	274
At 31 March 2023	<u>2,645</u>	<u>1,086</u>	<u>3,731</u>

The notes on pages 12 to 26 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

1. General information

Somerleigh Court Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 – reduced disclosure exemptions

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

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

The information is included in the consolidated financial statements of LifeCare Residences Limited as at 31 March 2023 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.3 Going concern

The Company and its parent company, LifeCare Residences Limited meets its day-to-day working capital requirements primarily through its income, bank loan facilities and when required, the continuing support of its shareholders. The directors prepare financial forecasts and monitor performance of the group on an ongoing basis and have prepared a financial projection for a period of 12 months from the date of approval of the financial statements. These forecasts as approved by the directors are also used to assess the bank loan facility which includes covenants over annualised interest cover and Loan to Value.

The Company was in compliance with all of its loan covenants as at 31 March 2023.

An extension to the Leumi facilities, as detailed in the post balance sheet events note, was agreed to in May 2023 and included in the assessment over the reporting period.

The forecasts prepared by the directors reflect the repayment of the Leumi loan facility is payable within the 12-month going concern period. It is the intention of the Company to extend and refinance the loan, with Leumi working on a proposal to extend such facility. At the date of signing the accounts, no formal loan agreement has been agreed, and the shareholders have provided a deed of support confirming their intention to support the Company through LifeCare Residences for the duration of the going concern period which includes providing funding to repay the bank debt as required.

As described in the strategic report the Company has been impacted by COVID-19 and the resultant impact on the economy. In assessing going concern the directors have produced cash flow forecasts as stated above which they consider to be an accurate forecast of the business operating in the COVID-19 environment. The directors do not consider there be an indication that there is a material uncertainty over the company's ability to continue as a going concern.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover represents income from the provision of property management, and care services and is recognised in the period the service is provided. Turnover also represents income from sales commission recognised on legal completion of the sale.

2.5 Government grants

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Current and deferred taxation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.10 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold land	- Nil
Fixtures, fittings and equipment	- 20% - 25% per annum

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

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

2.11 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.12 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.14 Debtors

Short-term debtors are measured at transaction price, less any impairment.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.16 Creditors

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

2.17 Provisions for liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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

Other key sources of estimation uncertainty

Tangible fixed assets (see note 11)

Tangible fixed assets, other than investment properties are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

The freehold property valuations are based on a multiple of 8.25 times EBITDA, with variables being unchanged from the prior financial year.

The freehold investment property is based on a professional valuation using a net present value of expected cashflow method.

Key Inputs into the freehold investment property valuation were:

Length of cashflows 25 years

Weighted average cost of capital 8.5%

Average length of stay 6.5 years

Average growth property rate 4% of annum

Service charge subsidy of £81,890

4. Turnover

An analysis of turnover by class of business is as follows:

	2023 £000	2022 £000
Care services	2,594	2,643
Property management	26	24
Sales commission	57	63
Deferred membership fee	57	58
	<u>2,734</u>	<u>2,788</u>

All turnover arose within the United Kingdom.

SOMERLEIGH COURT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

5. Other operating income

	2023	2022
	£000	£000
Other operating income	14	-
Government grants receivable	-	210
	<u>14</u>	<u>210</u>

Included within other operating income for year ended 31 March 2022 are UK Government COVID-19 related grants.

6. Operating profit

The operating profit is stated after charging:

	2023	2022
	£000	£000
Depreciation of tangible fixed assets	79	150
Defined contribution pension costs	<u>33</u>	<u>32</u>

7. Auditors' remuneration

	2023	2022
	£000	£000
Fees payable to the Company's auditors for the audit of the Company's financial statements	<u>6</u>	<u>6</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated accounts of the parent Company.

SOMERLEIGH COURT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

8. Employees

Staff costs were as follows:

	2023 £000	2022 £000
Wages and salaries	1,642	1,617
Social security costs	144	122
Cost of defined contribution scheme	33	32
	<u>1,819</u>	<u>1,771</u>

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

	2023 No.	2022 No.
Employees (Including part time)	<u>85</u>	<u>93</u>

9. Interest payable and similar expenses

	2023 £000	2022 £000
Bank interest payable	137	81
Other interest payable	5	5
	<u>142</u>	<u>86</u>

10. Taxation

	2023 £000	2022 £000
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	68	-
Total deferred tax	<u>68</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>68</u>	<u>-</u>

SOMERLEIGH COURT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

10. Taxation (continued)

Factors affecting tax charge for the year

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

	2023 £000	2022 £000
(Loss)/profit on ordinary activities before tax	<u>(104)</u>	<u>363</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	(20)	69
Effects of:		
Expenses not deductible for tax purposes	1	1
Adjustments to brought forward values	-	(3)
Capital allowances for year in excess of depreciation	9	22
Group relief	-	(62)
Movement in deferred tax not recognised	29	(27)
Capital gains	52	-
Income not taxable for tax purposes	(3)	-
	<u>68</u>	<u>-</u>
Total tax charge for the year	<u>68</u>	<u>-</u>

Factors that may affect future tax charges

As at 31 March 2023 the company has not recognised deferred tax assets in respect of losses and fixed

assets timing differences of £63,618 (2022: £96,875) due to uncertainty regarding timing and the amount of the realisation.

SOMERLEIGH COURT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

11. Tangible fixed assets

	Freehold land and buildings £000	Freehold investment property £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 April 2022	4,520	410	560	5,490
Additions	-	-	110	110
Revaluations	204	70	-	274
At 31 March 2023	4,724	480	670	5,874
Depreciation				
At 1 April 2022	-	-	360	360
Charge for the year on owned assets	-	-	67	67
At 31 March 2023	-	-	427	427
Net book value				
At 31 March 2023	4,724	480	243	5,447
<i>At 31 March 2022</i>	4,520	410	200	5,130

SOMERLEIGH COURT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

11. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2023	2022
	£000	£000
Freehold land and buildings	4,723	4,520
Freehold investment property	480	410
	<u>5,203</u>	<u>4,930</u>

Freehold land and buildings and freehold investment property have been valued as at 31 March 2023 by external valuers on an open market basis.

If the land and buildings and investment property had not been included at valuation, they would have been included under the historical cost convention as follows:

	2023	2022
	£000	£000
Cost	<u>2,769</u>	<u>2,769</u>

SOMERLEIGH COURT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

12. Debtors

	2023	2022
	£000	£000
Trade debtors	145	84
Amounts owed by group undertakings	1,051	1,302
Prepayments and accrued income	72	39
	<u>1,268</u>	<u>1,425</u>

All amounts shown under debtors fall due for payment within one year.

13. Cash and cash equivalents

	2023	2022
	£000	£000
Cash at bank and in hand	59	39
	<u>59</u>	<u>39</u>

14. Creditors: Amounts falling due within one year

	2023	2022
	£000	£000
Bank loans	508	2,498
Resident funds held in trust	65	40
Trade creditors	106	129
Other creditors	19	20
Accruals and deferred income	41	42
	<u>739</u>	<u>2,729</u>

Secured loans

The loan is secured over the property which is held at valuation of £5,445,000.

Interest is payable at SONIA (previously LIBOR) + 3% per annum. The loan is repayable on 30 April 2024.

Of the full £2,500,000 loan value, £500,000 (2022: £2,495,000) is payable within a year and shown above net of arrangement fees of £5,000 (2022: £5,000). The remaining £2,000,000 is payable on termination date and reflected in Note 16.

SOMERLEIGH COURT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

15. Creditors: Amounts falling due after more than one year

	2023	2022
	£000	£000
Bank loans	2,000	-
	<u>2,000</u>	<u>-</u>

16. Loans

Analysis of the maturity of loans is given below:

	2023	2022
	£000	£000
Amounts falling due within one year		
Bank loans	508	2,498
	<u>508</u>	<u>2,498</u>
Amounts falling due 1-2 years		
Bank loans	2,000	-
	<u>2,000</u>	<u>-</u>
	<u>2,508</u>	<u>2,498</u>

SOMERLEIGH COURT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

17. Deferred taxation

	2023 £000
At beginning of year	(236)
Charged to profit or loss	(68)
At end of year	(304)

The provision for deferred taxation is made up as follows:

	2023 £000	2022 £000
Timing differences from freehold property	(304)	(236)
	(304)	(236)

SOMERLEIGH COURT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

18. Share capital

	2023	2022
	£	£
Authorised, allotted, called up and fully paid		
1 (2022 - 1) Ordinary share of £1.00	<u>1</u>	<u>1</u>

19. Reserves

Revaluation reserve

Gains/ losses arising on the valuation of nursing home held as freehold land and buildings.

Profit and loss account

Retained earnings represents cumulative profits and losses, net of dividends paid and other adjustments.

20. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £33,358 (2022: £31,540) . Contributions totalling £12,056 (2022: £6,330) were payable to the fund at the reporting date and are included in creditors.

21. Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 102 section 33 'Related Party Disclosures' paragraph 33.1A not to disclose transactions with certain group companies on the grounds that 100% of voting rights in the company are controlled by the group.

22. Post balance sheet events

On 4th May 2023, the £2.5m Leumi Loan at Somerleigh was extended, with a prepayment of £0.5m payable immediately and the remaining £2m balance payable on termination date 30th April 2024.

23. Controlling party

The company's intermediate parent company is LifeCare Residences Limited. At 31 March 2023, the company's ultimate controlling shareholders are the family trusts of Cliff and Sue Cook.

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