

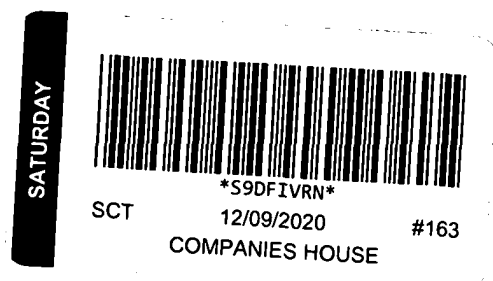
**Larchwood Care Homes (North)
Limited**

Annual Report and Financial Statements

Year Ended

30 September 2019

Company Number 06883079



Larchwood Care Homes (North) Limited

Company Information

Directors	Anthony Stein Kevin Groombridge
Registered number	06883079
Registered office	302 Drakes Court Alcester Road Wythall Birmingham B47 6JR
Independent auditor	BDO LLP Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD
Bankers	Royal Bank of Scotland plc RBS 3rd Floor 2 Whitehall Quay Leeds LS1 4HR
Solicitors	Lodders Solicitors Number Ten Elm Court Arden Street Stratford upon Avon CV37 6PA

Larchwood Care Homes (North) Limited

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Larchwood Care Homes (North) Limited

Strategic Report For the Year Ended 30 September 2019

Introduction

The directors present their strategic report for the 12 months ended 30 September 2019.

Business review

The company, together with its wholly-owned subsidiary Larchwood Care Homes (South) Ltd, form the Larchwood group.

The Larchwood group currently employs approximately 2,280 employees and provides residential and nursing care to over 1,840 residents in 48 services across England, Wales and Scotland.

The company's strategy is to improve trading performance by delivering a consistently high quality of care. A significant proportion of the residents are funded by central and local government and therefore it is seen as essential that the group builds confidence with commissioners and regulators such that it is seen as the preferred choice for delivering care services. Whilst it is accepted that Regulator ratings are not the only measure of care quality, the strong management focus in this area is demonstrated by the continued improvements in ratings which at March 2020 had risen to 85% "Good" and "Outstanding" (or equivalent), which is one of the highest ratings in the sector for large multi-service operators and the highest for those serving a largely public-pay market. No homes in the group were rated "Inadequate" at the year end.

A strong management team is considered key to achieving the company's objectives. The Home Management team continues to be supported by an experienced and competent Regional Management structure. As part of this commitment the company retains a number of Peripatetic Managers to step in where manager changes arise or are deemed necessary thus ensuring continuity of management by experienced and competent staff. Management and staff at the company primarily focus on the needs and dignity of the residents. Standards of care are constantly assessed through a comprehensive internal and external audit process. Home Managers are charged with achieving compliance with regulatory standards, Local Authority requirements and best practice. The company continues to invest in training, systems and resources to enable it to deliver high standards of care. A low ratio of homes to Regional Managers ensures that Home Managers are properly mentored and supported to more effectively carry out their duties.

The company continues to invest in the estate with the support of the landlord and a program of refurbishment is in place which has continued to see significant improvements in the living environments in many of the homes. The Board would like to place on record their appreciation for the hard work and dedication shown by each member of the Larchwood team and their commitment to continuing improvement that is reflected by the growing number of positive reviews posted on external rating sites.

The group has commenced a process of disposal of all of its services and this will continue throughout 2021 and beyond. Management are committed to continuing to drive both operational and financial performance during this disposal process and to ensuring that the disruption to residents is minimal.

Larchwood Care Homes (North) Limited

Strategic Report (continued) For the Year Ended 30 September 2019

Principal risks and uncertainties

The Board meets monthly to consider the key risks and uncertainties facing the business. A formal structure of Corporate Governance has been put in place to ensure that these risks are properly considered.

The main risk facing the business is the continued pressure on Local Authority ("LA") funding. Central government has pledged £1bn of additional funding over the 20/21 financial year and a similar number beyond that date. How this will translate into higher occupancy and an Average Weekly Fee is yet to be seen although the 6.4% increase in the National Minimum Wage in April 2020 will have an impact on profitability if LA fee increases don't rise correspondingly.

A further risk is the continued difficulty in attracting and recruiting staff and, in particular, trained nurses. With a national shortage of staff, recruitment and retention is a high priority issue and the Board is constantly reviewing the strategy for improving in this area. The growing tendency of staff to prefer the flexibility of agency employment has seen a consistently high level of agency use in the sector and this has had a significant impact on the company's profitability in the period. Targeted local action to minimise agency has had some success in addressing this problem. The impact of Brexit is yet to be assessed and this may become linked with the move to have caring recognised as a skilled occupation which in turn may attract higher numbers of points to meet the new points based immigration system.

The quality of care is the primary concern of the Board and staff are given the appropriate training and support to ensure that they live up to the expectations placed upon them. There is a comprehensive risk management framework in place to ensure that the business maintains the highest standards of care in all its homes.

The directors also recognise the uncertainties arising as a result of the current Covid19 pandemic and are closely monitoring the position, (refer also to note 1.3).

Financial key performance indicators

The key financial and operational indicators monitored by the management include internal and external quality ratings using Healthcare Management Solutions' proprietary audit system, IMPact, and by referencing regulatory compliance. Social media ratings, occupancy ratios, average fee information and cost to revenue ratios are also monitored.

Financial risk management and going concern

The company's operations create a number of financial risks including liquidity, interest rate rises, and customer credit.

The directors have managed this liquidity risk by close monitoring of the financial performance of the business and forecasting to identify peaks and troughs in the cash requirement and by planning accordingly. The current level of headroom in the forecasts gives the Board confidence that this risk will be managed.

The company has an effective credit control function which quickly identifies debts that are beyond the agreed payment date so action can be taken to recover monies due.

In addition to the above, the company enjoys the support of its landlord and in ensuring that the business continues to operate as a going concern, (refer also to note 1.3).

This report was approved by the board on 7 September 2020 and signed on its behalf.


Anthony Stein
Director

Larchwood Care Homes (North) Limited

Directors' Report For the Year Ended 30 September 2019

The directors present their report and the financial statements for the year ended 30 September 2019.

Results

The profit for the year, after taxation, amounted to £74,617 (2018 - profit £26,391).

Directors

The directors who served during the year were:

Anthony Stein
Kevin Groombridge

Future developments

A number of sector challenges remain. The continuation, by local authorities, of their austerity programmes impacts on the level of permanent referrals and results in a slow growth rate in Local Authority average weekly fee rates. The national shortage in nurse resources results in the increased use of agency resource at a premium cost. The company is reviewing strategies to alleviate the reliance on scarce nurse resource.

The ongoing impact of increases in the National Living Wage ("NLW") and the National Minimum Wage results in significant increases in staffing costs. Across the country we are seeing rate increases for carer staff increasing above NLW levels in order to attract and retain staff.

Trading conditions in the short term are likely to be challenging but the directors remain confident in the longer term trading position given the increasing number of elderly people requiring care. With the closure of a number of competing homes, due to economic and regulatory pressure, and the continuing improvement in the quality of services offered, the company expects occupancy levels across the group to improve.

The company aims to improve the number of private residents across the group and is targeting additional investment in those properties identified as being best suited to achieve this.

The group has commenced a process of disposal of all of its services and this will continue throughout 2021 and beyond. Management are committed to continuing to drive both operational and financial performance during this disposal process and to ensuring that the disruption to residents is minimal.

Employee involvement

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of Larchwood Care Homes (North) Limited and its residents. This is achieved through a cascade of information through the organisation from regular informal meetings and a periodic newsletter.

We encourage positive engagement with staff representatives to improve the performance of the business from a care quality, financial management and risk management perspectives.

Disabled employees

Applications for employment by disabled persons are always fully considered bearing in mind the abilities of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Larchwood Care Homes (North) Limited

**Directors' Report (continued)
For the Year Ended 30 September 2019**

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

Post balance sheet events

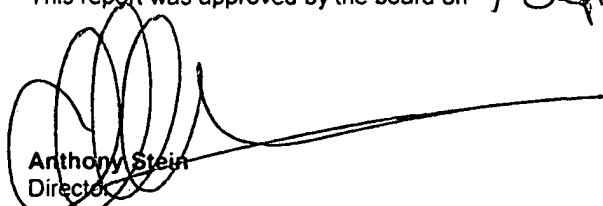
In early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across a significant number of countries. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global securities markets and the care home sector specifically. COVID-19 is considered to be a non-adjusting post balance sheet event in relation to the entity's 2019 financial statements.

In the short term, this has had an impact on the company's profitability with occupancy rates in the care homes being affected and increased staff and other operating costs as a result of the virus. Although COVID-19 is a non-adjusting post balance sheet event, given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the company or to provide a quantitative estimate of this impact at this stage. The directors have considered the impact of COVID-19 in their going concern assessment (note 1.3) and consider that it does not affect the ability of the company to generate value in the long-term

Auditor

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

This report was approved by the board on 7 September 2020 and signed on its behalf.


Anthony Stein
Director

Larchwood Care Homes (North) Limited

Directors' Responsibilities Statement For the Year Ended 30 September 2019

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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

Larchwood Care Homes (North) Limited

Independent Auditors' Report to the Members of Larchwood Care Homes (North) Limited

Opinion

We have audited the financial statements of Larchwood Care Homes (North) Limited ("the company") for the year ended 30 September 2019 which comprise statement of income and retained earnings, the balance sheet and the 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 company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the strategic report and the directors' 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.

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.

Larchwood Care Homes (North) Limited

Independent Auditors' Report to the Members of Larchwood Care Homes (North) Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 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 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, 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.

Larchwood Care Homes (North) Limited

Independent Auditors' Report to the Members of Larchwood Care Homes (North) 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 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.



Martin Gill (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Edinburgh, United Kingdom

Date: 8 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Larchwood Care Homes (North) Limited

**Statement of Income and Retained Earnings
For the Year Ended 30 September 2019**

	Note	2019 £	2018 £
Turnover	4	34,276,487	31,618,849
Cost of sales		(26,784,382)	(24,897,493)
Gross profit		7,492,105	6,721,356
Administrative expenses		(7,436,486)	(6,669,931)
Operating profit	5	55,619	51,425
Interest payable and expenses	8	(883)	(3,667)
Profit before tax		54,736	47,758
Tax on profit	9	19,881	(21,367)
Profit after tax		74,617	26,391
Retained earnings at the beginning of the year		221,887	195,496
Profit for the year		74,617	26,391
Retained earnings at the end of the year		296,504	221,887

There was no other comprehensive income for either 2019 or 2018.

The notes on pages 11 to 24 form part of these financial statements.

Larchwood Care Homes (North) Limited
Registered number: 06883079

Balance Sheet
As at 30 September 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	10	71,629	5,703
		<u>71,629</u>	<u>5,703</u>
Current assets			
Debtors: amounts falling due within one year	12	4,444,421	7,455,747
Cash at bank and in hand	13	3,126,139	1,768,666
		<u>7,570,560</u>	<u>9,224,413</u>
Creditors: amounts falling due within one year	14	(7,292,485)	(9,008,228)
Net current assets		<u>278,075</u>	<u>216,185</u>
Total assets less current liabilities		<u>349,704</u>	<u>221,888</u>
Creditors: amounts falling due after more than one year		(53,199)	-
Net assets		<u><u>296,505</u></u>	<u><u>221,888</u></u>
Capital and reserves			
Called up share capital	17	1	1
Profit and loss account	18	296,504	221,887
		<u><u>296,505</u></u>	<u><u>221,888</u></u>

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

7 September 2020


Anthony Stein
 Director

The notes on pages 11 to 24 form part of these financial statements.

Larchwood Care Homes (North) Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

1. Accounting policies

1.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

1.2 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 4 Statement of Financial Position paragraph 4.12(a)(iv);
- 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 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Larchwood Holdco Limited as at 30 September 2019 and these financial statements may be obtained from Companies House.

Larchwood Care Homes (North) Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

1. Accounting policies (continued)

1.3 Going concern

The directors, having given due consideration to the company's trading position and to the likely trading for the foreseeable future believe that, with the support that has been extended to the company by its licence holder will be able to continue to trade for the foreseeable future. The company's net current assets of £278,075 (2018 - £216,185) include a liability of £3,090,840 (2018 - £2,757,106) due to group undertakings. The directors also recognise the uncertainties arising as a result of the current Covid19 pandemic and are closely monitoring the position.

The directors consider the going concern basis to be appropriate following their assessment of the company's financial position and its ability to meet its obligations as and when they fall due. In making the going concern assessment, the directors have taken into account the following:

- The capital structure and liquidity of the company;
- A number of scenarios to the base case cash flow forecasts and trading projections for 2020 and 2021 which are described further below; and
- Specifically in relation to the potential impact of the COVID-19 pandemic on the company, the directors have considered:
 - The current trading performance of the company following lockdown measures introduced by the government;
 - The company's fees payable to the license holder is variable based on adjusted EBITM of the entity;
 - The company's landlord has indicated its ongoing financial support for the company by not requiring the license fee payable to paid in full if it were to put the cash flow of the entity under undue financial pressure; and
 - Market intelligence and government economic forecasts around the short to medium term economic impacts due to the COVID-19 pandemic on the care home sector in which the company operates.

The key scenario that the directors have modelled reflects occupancy rates not returning to pre-COVID-19 levels in the short term. The directors consider this to be unlikely, but has been used to demonstrate that the entity could still meet its obligations as they fall due in the event that occupancy rates, and therefore revenue, take longer to recover from the pandemic than originally expected. On this basis, the directors believe that they have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly the financial statements are prepared on a going concern basis.

On this basis, the directors are confident that the going concern assumption remains valid and the financial statements do not include any adjustments that would arise should the financial support of either the subsidiary be withdrawn.

Larchwood Care Homes (North) Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

1. Accounting policies (continued)

1.4 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. The following criteria must also be met before revenue is recognised:

Care related services

Revenue from a contract to provide care related services is recognised in the period in which services are provided on an accruals basis. Revenue recognised is dependent upon the type of care and funding that a resident receives.

1.5 Rent and licence fee

The rent and licence fee is charged on an annual basis based upon the adjusted Earnings Before Income, Taxation and Management Fees (EBITM) of Larchwood Care Homes (North) Limited.

1.6 Operating leases

Rentals paid under operating leases are charged to the statement of income and retained earnings on a straight line basis over the lease term.

1.7 Leased assets

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the consolidated statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.8 Finance costs

Finance costs are charged to the statement of income and retained earnings 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.

1.9 Pensions

Defined contribution 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 payments obligations.

The contributions are recognised as an expense in the statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Larchwood Care Homes (North) Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

1. Accounting policies (continued)

1.10 Taxation

Tax is recognised in the statement of income and retained earnings, except that a change 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 balance sheet 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 balance sheet 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.

1.11 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:

Fixtures and fittings	-	20% straight line
Office equipment	-	20% straight line

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 the statement of income and retained earnings.

1.12 Valuation of investments

Investments in subsidiaries are measured at cost less any impairment required.

1.13 Debtors

Short term debtors are measured at transaction price, less any impairment. A bad debt provision is recognised against specific trade debtors where there are fundamental uncertainties as to the recovery of the balance.

1.14 Cash

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

Larchwood Care Homes (North) Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

1. Accounting policies (continued)

1.15 Creditors

Short term creditors are measured at the transaction price.

1.16 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other debtors and creditors, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

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

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

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. General information

Larchwood Care Homes (North) Limited is a private company limited by shares, incorporated in England and Wales and the address of its registered office and principal place of business is 302 Drakes Court, Alcester Road, Wythall, Birmingham, B47 6JR.

The company's principal activity during the year continued to be the provision of residential, nursing and dementia care for the elderly. The company operates the care homes under a management agreement with the licence holder.

Larchwood Care Homes (North) Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

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

In preparing these financial statements the directors have made the following judgements:

Tangible fixed assets 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 a 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.

Trade debtors are assessed on a regular basis against the likelihood of recovery of the balances. Where management do not consider a debt to be recoverable, either due to the inability of the customer to pay the balance or for any other reason, bad debts are provided for when there is objective evidence of the need for a provision.

4. Turnover

The whole of the turnover is attributable to the provision of residential, nursing and dementia care for the elderly.

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of owned tangible fixed assets	5,703	200,992
Depreciation of leased tangible fixed assets	16,080	-
Licence fees payable	2,634,675	1,451,953
Defined contribution pension cost	230,136	136,105
	<u>2,906,594</u>	<u>1,789,050</u>

6. Auditor's remuneration

	2019 £	2018 £
Audit fees	25,000	22,000
	<u>25,000</u>	<u>22,000</u>

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

Larchwood Care Homes (North) Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

7. Employees

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	18,445,449	18,235,761
Social security costs	1,175,401	1,104,741
Cost of defined contribution scheme	230,136	136,105
	<u>19,850,986</u>	<u>19,476,607</u>

Key management personnel

No directors received any emoluments for their services as directors in the year (2018 - £Nil). All key management personnel are employed by Healthcare Management Solutions Ltd, the company contracted to manage the homes and, therefore, receive no remuneration (2018 - £Nil) through this company.

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

	2019 No.	2018 No.
Staff	<u>1,189</u>	<u>1,242</u>

8. Interest payable and similar expenses

	2019 £	2018 £
Interest payable	-	3,667
Finance leases and hire purchase contracts	883	-
	<u>883</u>	<u>3,667</u>

Larchwood Care Homes (North) Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

9. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	-	24,145
Adjustments in respect of previous periods	(19,881)	(2,778)
Total current tax	<u>(19,881)</u>	<u>21,367</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on (loss)/profit on ordinary activities	<u>(19,881)</u>	<u>21,367</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>54,736</u>	<u>47,758</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	10,400	9,074
Effects of:		
Difference between depreciation and capital allowances	(22,251)	(21,835)
Expenses not deductible for tax purposes	104	31,156
Adjustments to tax charge in respect of prior periods	(19,881)	(2,778)
Provisions adjustment	3,957	5,750
Group relief surrendered	7,790	-
Total tax charge for the year	<u>(19,881)</u>	<u>21,367</u>

Larchwood Care Homes (North) Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

9. Taxation (continued)

Factors that may affect future tax charges

At the balance sheet date the company has a potential deferred tax asset of £296,674 (2018 - £330,213) relating principally to depreciation in excess of capital allowances available to carry forward against future taxable profits. In line with applicable accounting standards this potential asset has not been incorporated within the financial statements.

10. Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Total £
Cost			
At 1 October 2018	3,167,570	-	3,167,570
Additions	-	87,709	87,709
At 30 September 2019	<u>3,167,570</u>	<u>87,709</u>	<u>3,255,279</u>
Depreciation			
At 1 October 2018	3,161,867	-	3,161,867
Charge for the year on owned assets	5,703	16,080	21,783
At 30 September 2019	<u>3,167,570</u>	<u>16,080</u>	<u>3,183,650</u>
Net book value			
At 30 September 2019	<u>-</u>	<u>71,629</u>	<u>71,629</u>
At 30 September 2018	<u>5,703</u>	<u>-</u>	<u>5,703</u>

The net book value of assets held under finance leases is £71,629 (2018 - £nil).

Larchwood Care Homes (North) Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

11. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 October 2018	1
At 30 September 2019	<u>1</u>
Impairment	
At 1 October 2018	1
At 30 September 2019	<u>1</u>
Net book value	
At 30 September 2019	<u><u>-</u></u>
At 30 September 2018	<u><u>-</u></u>

The following are subsidiary undertakings of the company:

Name	Principal Activity
Larchwood Care Homes (South) Limited	Residential, nursing and dementia care for the elderly
Class of shares	Holding
Ordinary	100%

The registered address for Larchwood Care Homes (South) Limited is 302 Drakes Court, Alcester Road, Wythall, Birmingham, B47 6JR.

Larchwood Care Homes (North) Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

12. Debtors

	2019 £	2018 £
Trade debtors	2,339,093	2,258,273
Other debtors	1,574,609	4,820,469
Prepayments and accrued income	385,907	351,458
Tax recoverable	144,812	25,547
	<u>4,444,421</u>	<u>7,455,747</u>

Bad debts expensed to the statement of comprehensive income in the period amounted to £112,123 (2018 - £361,078).

Other debtors includes a net balance payable to the entity by the license holder of £1,443,655 (2018 - £nil).

13. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>3,126,139</u>	<u>1,768,666</u>

14. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	1,320,232	1,240,266
Amounts due to license holder	-	2,601,882
Amounts owed to group undertakings	3,090,840	2,757,106
Other taxation and social security	290,911	254,262
Obligations under finance lease and hire purchase contracts	17,350	-
Other creditors	475,972	716,878
Accruals and deferred income	2,097,180	1,437,834
	<u>7,292,485</u>	<u>9,008,228</u>

Larchwood Care Homes (North) Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

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

	2019 £	2018 £
Net obligations under finance leases and hire purchase contracts	53,199	-
	<u>53,199</u>	<u>-</u>

16. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2019 £	2018 £
Within one year	17,350	-
Between 1-5 years	53,199	-
	<u>70,549</u>	<u>-</u>

All obligations under hire purchase agreements are secured by the assets that they relate to.

17. Share capital

	2019 £	2018 £
Allotted, called up and unpaid		
1 (2018 -1) Ordinary share of £1.00	1	1
	<u>1</u>	<u>1</u>

Called up share capital represents the nominal value of the shares issued.

18. Reserves

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid.

Larchwood Care Homes (North) Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

19. Capital commitments

At 30 September 2019 the company had capital commitments as follows:

	2019 £	2018 £
Contracted for but not provided in these financial statements	142,185	-
	<u>142,185</u>	<u>-</u>

20. Pension costs

The company operates a defined contribution scheme whose assets are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable to the company and amounted to £230,136 (2018 - £136,105). Contributions totalling £51,095 (2018 - £30,267) were payable to the fund at the balance sheet date.

21. Commitments under operating leases

At 30 September 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

The company has entered into a management fee agreement whereby notice to terminate must be served six months in advance. The commitment in relation to this management fee is based upon a percentage of the turnover achieved by the company. As such no commitment exists in relation to this agreement at the reporting date as it is dependent upon the recognition of future turnover.

The company has entered into a license fee agreement through which the company performs its principal activities which states a requirement for the company to pay the contract provider all surplus profits of the operating of the residential and nursing care homes, in the reference to a calculation based on adjusted EBITM (as defined per note 1.5).

22. Related party transactions

During the year Larchwood Care Homes (North) Limited purchased goods and services totalling £2,344,446 (2018 - £1,937,611) in relation to management fees and recharges from Healthcare Management Solutions Limited which is controlled by the same shareholders as Larchwood Holdco Limited. At the balance sheet date a balance of £173,191 (2018 - £187,523) was outstanding in trade payables and a balance of £273,483 (2018 - £nil) is in accruals.

During the year Larchwood Care Homes (North) limited made purchases totalling £6,563 (2018 - £6,250) in relation to services from Howdidwedo Limited which is controlled by the same shareholders as Larchwood Holdco Limited. At the balance sheet date a balance of £nil (2018 - £nil) was outstanding.

Larchwood Care Homes (North) Limited

**Notes to the Financial Statements
For the Year Ended 30 September 2019**

23. Post balance sheet events

In early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across a significant number of countries. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global securities markets and the care home sector specifically. COVID-19 is considered to be a non-adjusting post balance sheet event in relation to the entity's 2019 financial statements.

In the short term, this has had an impact on the company's profitability with occupancy rates in the care homes being affected and increased staff and other operating costs as a result of the virus. Although COVID-19 is a non-adjusting post balance sheet event, given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the company or to provide a quantitative estimate of this impact at this stage. The directors have considered the impact of COVID-19 in their going concern assessment (note 1.3) and consider that it does not affect the ability of the company to generate value in the long-term

24. Ultimate parent company and controlling party

The immediate parent is Larchwood Holdco Limited, a company incorporated in England and Wales whose financial statements are available at Companies House.

The ultimate controlling party is Anthony Stein.