

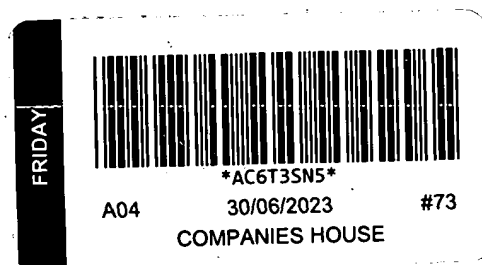
**Larchwood Care Homes (North)
Limited**

Annual Report and Financial Statements

Year Ended

30 September 2022

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 4th Floor 2 Whitehall Quay Leeds LS1 4HR
Solicitors	BTO Solicitors LLP 48 St. Vincent Street Glasgow G2 5HS

Larchwood Care Homes (North) Limited

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Larchwood Care Homes (North) Limited

Strategic Report For the Year Ended 30 September 2022

Introduction

The directors present their strategic report for the 12 months ended 30th September 2022.

Business review

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

The Larchwood group employs approximately 1,257 employees and provides residential and nursing care to over 1,063 residents in 27 services across England and Scotland.

The group results have again been impacted by Covid-19 with Occupancy reduced and costs increasing. Grant income has been received to offset this impact. Fee rates have increased from cost-of-living increases.

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 high ratings. In April 2023 over 84% of service had a rating of "Good" or "Outstanding" (or equivalent). The Covid pandemic has significantly reduced the CQC inspections. Improvements made to certain services are not therefore reflected in the ratings.

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 several 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 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 during these unprecedented times.

The group has commenced a process of disposal of all its services, and this will continue throughout 2023 and beyond. Management is 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 2022

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 major risk encountered in the year to 30th September 2022 was the continuation of the Covid-19 virus. This caused disruption in all services with changes in established working practices continuing. A tragic consequence of this virus was a loss of life of some residents during the year. Self-isolation procedures continued to be implemented among residents and staff where necessary with restrictions placed on people entering the homes. Government guidelines were adhered to within all services to limit the spread of the virus.

The company appreciates the assistance from Government in the form of Covid grants particularly during the first 6 months of the year. This provided the company with compensation to cover the additional costs incurred, although most are no longer available.

A risk facing the business is the continued pressure on Local Authority ("LA") funding. Central government has provided funding during the financial year but most of this funding ceased at the end of March 2022. It is vitally important that LA fee rate increases reflect Minimum Wage increases so that profitability is not impacted. Minimum Wage increase in April 2023 is 9.7% compared to 6.6% in April 2022 and 2.2% in April 2021.

A further risk is the continued difficulty in attracting and recruiting staff, particularly 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. Targeted local action to minimise agency has had some success in addressing this problem. A sponsorship licence has now been issued for Larchwood which will make overseas recruitment easier.

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.

Financial key performance indicators

The key financial and operational indicators monitored by the management include internal and external quality ratings using Healthcare Management Solution Ltd's 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.

Larchwood Care Homes (North) Limited

Strategic Report (continued) For the Year Ended 30 September 2022

Financial risk management and going concern

The company's operations create a few 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.

This report was approved by the board on 28 June 2023

and signed on its behalf.



Kevin Groombridge
Director

Larchwood Care Homes (North) Limited

Directors' Report For the Year Ended 30 September 2022

The directors present their report together with the financial statements for the year ended 30 September 2022.

Principal activity

The company's principal activity during the year continued to be the provision of residential, nursing and dementia care for the elderly.

Results

The profit for the year, after taxation, amounted to £30,285 (2021 - £49,938).

Directors

The directors who served during the year were:

Anthony Stein
Kevin Groombridge

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 £413,090 (2021 - £380,073) include a liability of £3,688,042 (2021 - £3,426,311) due to group undertakings and a net debtor receivable from the licence holder of £2,586,331 (2021 - £686,772). The entity is reliant on its subsidiary for financial support and a letter of support has been received confirming that it will not seek repayment of this balance in the short term. Accordingly the final statements have been prepared on a going concern basis and do not include any adjustments that would arise if this financial support was withdrawn.

Future developments

The social care sector continues to be impacted by some significant pressures. The difficulties in recruitment of a full-time permanent workforce are well documented and have impacted on the Larchwood homes and will continue to do so for some time. To migrate dependency on agency Larchwood Care increasing the number of overseas workers and the directors see that this will be an integral component for the foreseeable future.

Inflation is a major issue and considerable work is expected in negotiating the best purchasing agreements across a range of commodities including energy, food, medical consumables, cleaning materials and maintenance contracts. The outlook for inflation varies however the directors believe that inflationary pressures are likely to impact trading performances for the coming 12 months at the very least.

Fees in Scotland remain low as the offer for April 2023 (6% for nursing clients and 5.99% for residential clients) was rejected by operators. As at June 2023 the business was incorporating the interim increases of 1.78% for nursing clients and 2.47% for residential clients and any increase agreed beyond this would only be incorporated at the time of agreement.

The directors still believe that the demographic imperative will result in increased demand for care home beds and that the key to unlocking this demand rests with the central and developed governments.

The group continues with its disposal process. During this disposal process management continue to operate on a business as usual basis focusing on quality and commercial performance.

Larchwood Care Homes (North) Limited

Directors' Report (continued) For the Year Ended 30 September 2022

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.

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

Since the year end the following care homes were sold or closed:

"Belmont" was sold with completion being on 22nd March 2023, "The Chanters" was sold with completion being on 22nd March 2023.

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 28 June 2023

and signed on its behalf.



Kevin Groombridge
Director

Larchwood Care Homes (North) Limited

Directors' Responsibilities Statement For the Year Ended 30 September 2022

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 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

Larchwood Care Homes (North) Limited

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 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.

We have audited the financial statements of Larchwood Care Homes (North) Limited ("the company") for the year ended 30 September 2022 which comprise the statement of income and retained earnings, balance sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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.

Larchwood Care Homes (North) Limited

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

Other information

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

Other Companies Act 2006 reporting

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.

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, 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.

Larchwood Care Homes (North) Limited

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

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.

Extent to which the audit was capable of detecting irregularities, including fraud

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:

- Assessing the design and implementation of the control environment of the company to identify areas of material weakness to focus the design of our audit testing;
- Reviewing correspondence with regulatory bodies, such as to the Registrar of Companies, HMRC, The Care Inspectorate and the Regulation and Quality Improvement Authority, for indications of non-compliance;
- Determining whether the accounting policies and presentation adopted in the financial statements are in accordance with applicable law and United Kingdom Accounting Standards;
- Identifying whether there are instances of potential bias in areas with significant degree of judgement or uncertainty, such as depreciation of fixed assets and bad debt provisions;
- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatements to due fraud. Areas of identified risk were then tested substantively;
- Addressing the risk of fraud through management override of controls by testing the appropriateness of journal entries through review and corroboration of a sample of journals that include characteristics that we perceive to be indicative of increased risk;
- Addressing the risk of fraud over existence of care fee revenue by carrying out detailed substantive testing of revenue, including detailed cut off testing;
- Vouching balances and reconciling items in key control account reconciliations to supporting documentation as at 30 September 2021; and
- Carrying out detailed testing, on a sample basis, of transaction and balances and agreeing to appropriate evidence to verify the completeness, accuracy and existence of the reported financial statements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 Auditor's 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.

DocuSigned by:

Martin Gill

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Martin Gill (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Edinburgh

United Kingdom

28 June 2023

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 2022

	Note	2022 £	2021 £
Turnover	4	21,710,913	27,091,655
Cost of sales		(19,264,685)	(23,281,371)
Gross profit		2,446,228	3,810,284
Administrative expenses		(2,742,756)	(6,264,914)
Other operating income	5	326,778	2,496,850
Operating profit	6	30,250	42,220
Interest receivable and similar income	8	35	12
Profit before tax		30,285	42,232
Tax on profit	9	-	7,706
Profit after tax		30,285	49,938
Retained earnings at the beginning of the year		395,738	345,800
Profit for the year		30,285	49,938
Retained earnings at the end of the year		426,023	395,738

There was no other comprehensive income in either year.

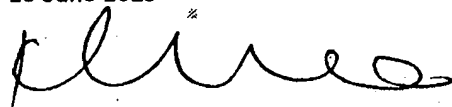
The notes on pages 14 to 24 form part of these financial statements.

Larchwood Care Homes (North) Limited
Registered number: 06883079

Balance Sheet
As at 30 September 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	10		12,934		33,626
Current assets					
Debtors: amounts falling due within one year	12	4,190,373		3,777,590	
Cash at bank and in hand	13	2,809,927		4,236,587	
		<u>7,000,300</u>		<u>8,014,177</u>	
Creditors: amounts falling due within one year	14	(6,587,210)		(7,634,140)	
Net current assets			<u>413,090</u>		<u>380,037</u>
Total assets less current liabilities			<u>426,024</u>		<u>413,663</u>
Creditors: amounts falling due after more than one year	15		-		(17,924)
Net assets			<u><u>426,024</u></u>		<u><u>395,739</u></u>
Capital and reserves					
Called up share capital	17		1		1
Profit and loss account	18		426,023		395,738
Total equity			<u><u>426,024</u></u>		<u><u>395,739</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 June 2023



Kevin Groombridge
Director

The notes on pages 13 to 24 form part of these financial statements.

Larchwood Care Homes (North) Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

1. General information

Larchwood Care Homes (North) Limited is a private company limited by shares and incorporated in England and 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 judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The company is itself a subsidiary company and is exempt from the requirements to provide group accounts for its own subsidiary by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of Larchwood Holdco Limited as at 30 September 2022 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 2022

2. Accounting policies (continued)

2.3 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 £413,090 (2021 - £380,073) include a liability of £3,688,042 (2021 - £3,426,311) due to group undertakings and a net debtor receivable from the licence holder of £2,586,331 (2021 - £686,772). The entity is reliant on its subsidiary for financial support and a letter of support has been received confirming that it will not seek repayment of this balance in the short term. Accordingly the final statements have been prepared on a going concern basis and do not include any adjustments that would arise if this financial support was withdrawn.

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. 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.

2.5 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. Where the entity incurs a loss before income, taxation and management fees, a credit is receivable from the licence holder.

2.6 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.

2.7 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.

Larchwood Care Homes (North) Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

2. Accounting policies (continued)

2.8 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 income and retained earnings in the same period as the related expenditure.

2.9 Interest income

Interest income is recognised in the statement of income and retained earnings using the effective interest method.

2.10 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.

2.11 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 profit or loss.

2.12 Valuation of investments

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

Larchwood Care Homes (North) Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

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 balance sheet 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 the statement of income and retained earnings.

2.14 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.

2.15 Cash

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.

2.17 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.

Larchwood Care Homes (North) Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

2. Accounting policies (continued)

2.18 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.

2.19 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.

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

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

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 company's principal activity.

All turnover arose within the United Kingdom.

Larchwood Care Homes (North) Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

5. Other operating income

	2022 £	2021 £
Infection Control Funding - COVID Grant	326,778	2,440,107
CJRS income - furlough	-	56,743
	<u>326,778</u>	<u>2,496,850</u>

6. Operating profit

The operating profit is stated after charging/(crediting):

	2022 £	2021 £
Depreciation of leased tangible fixed assets	12,289	17,540
Fees payable to company auditor for audit of annual accounts	27,250	25,750
Licence fees (repayable)/payable	(736,555)	1,842,633
Defined contribution pension cost	187,837	254,446
Loss on sale of tangible fixed assets	8,403	2,920
	<u>12,289</u>	<u>2,143,289</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.

7. Employees

Staff costs were as follows:

	2022 £	2021 £
Wages and salaries	11,429,317	15,556,535
Social security costs	907,164	1,126,931
Cost of defined contribution scheme	187,837	254,446
	<u>12,524,318</u>	<u>16,937,912</u>

Key management personnel

No directors received any emoluments for their services as directors in the year (2021 - £Nil). All key management personnel are employed by Healthcare Management Solutions Ltd, the company contracted to manage the homes and, therefore, receive no remuneration (2021 - £Nil) through this company.

Larchwood Care Homes (North) Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

7. Employees (continued)

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

	2022 No.	2021 No.
Staff	727	1,096

8. Interest receivable and similar income

	2022 £	2021 £
Other interest receivable	35	12

9. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	-	-
Adjustments in respect of previous periods	-	(7,706)
Total current tax	-	(7,706)
Taxation on profit/(loss) on ordinary activities	-	(7,706)

Larchwood Care Homes (North) Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	30,285	42,232
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	5,754	8,024
Effects of:		
Expenses not deductible for tax purposes	-	3,129
Adjustments in respect of previous periods	-	(7,706)
Remeasurement of deferred tax for change in rates	-	(73,984)
Movement in deferred tax not recognised	(5,754)	39,209
Losses not utilised	-	23,622
Total tax charge for the year	-	(7,706)

Factors that may affect future tax charges

At the balance sheet date the company has a potential deferred tax asset of £275,000 (2021 - £308,000) 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, as it is unlikely to unwind in the short term.

The rates used in the deferred tax computation reflect the rates substantially enacted at the balance sheet date of 25% (2021 - 25%).

Larchwood Care Homes (North) Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

10. Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Total £
Cost			
At 1 October 2021	2,256,450	80,705	2,337,155
Disposals	(791,073)	(49,022)	(840,095)
At 30 September 2022	<u>1,465,377</u>	<u>31,683</u>	<u>1,497,060</u>
Depreciation			
At 1 October 2021	2,256,450	47,079	2,303,529
Disposals	(791,073)	(40,619)	(831,692)
Depreciation	-	12,289	12,289
At 30 September 2022	<u>1,465,377</u>	<u>18,749</u>	<u>1,484,126</u>
Net book value			
At 30 September 2022	<u>-</u>	<u>12,934</u>	<u>12,934</u>
At 30 September 2021	<u>-</u>	<u>33,626</u>	<u>33,626</u>

The net book value of assets held under finance leases is £12,934 (2021 - £33,626).

11. Fixed asset investments

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 2022

12. Debtors: amounts falling due within one year

	2022 £	2021 £
Trade debtors	1,335,036	1,988,287
Other debtors	2,639,509	687,828
Prepayments and accrued income	215,828	1,101,475
	<u>4,190,373</u>	<u>3,777,590</u>

Bad debts expensed to the statement of income and retained earnings in the period amounted to £2,189 (2021 - £209,890).

Other debtors includes a net balance payable to the entity by the license holder of £2,586,331 (2021 - £686,772).

13. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	<u>2,809,927</u>	<u>4,236,587</u>

14. Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	1,068,224	1,068,442
Amounts owed to group undertakings	3,688,042	3,426,311
Other taxation and social security	140,644	201,333
Obligations under finance lease and hire purchase contracts	17,327	35,274
Other creditors	633,411	916,883
Accruals and deferred income	1,039,562	1,985,897
	<u>6,587,210</u>	<u>7,634,140</u>

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

	2022 £	2021 £
Net obligations under finance leases and hire purchase contracts	<u>-</u>	<u>17,924</u>

Larchwood Care Homes (North) Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

16. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022 £	2021 £
Within one year	17,327	35,274
Between 1-5 years	-	17,924
	<u>17,327</u>	<u>53,198</u>

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

17. Share capital

	2022 £	2021 £
Allotted, called up and unpaid		
1 ordinary share of £1	<u>1</u>	<u>1</u>

18. Reserves

The company's capital and reserves are as follows:

Called up share capital

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

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

19. Capital commitments

At 30 September 2022 the company had capital commitments as follows:

	2022 £	2021 £
Contracted for but not provided in these financial statements	<u>78,046</u>	<u>49,644</u>

Larchwood Care Homes (North) Limited

Notes to the Financial Statements For the Year Ended 30 September 2022

20. Pension costs

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 £187,837 (2021 - £254,446). Contributions totalling £29,260 (2021 - £42,470) were payable to the fund at the balance sheet date and are included in creditors.

21. Commitments under operating leases

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 2.5).

22. Related party transactions

During the year Larchwood Care Homes (North) Limited purchased goods and services totalling £1,475,625 (2021 - £2,147,317) in relation to management fees and recharges from Healthcare Management Solutions Ltd which is controlled by the same shareholders as Larchwood Holdco Limited. At the balance sheet date a balance of £228,073 (2021 - £167,805) was outstanding in trade payables and a balance of £109,643 (2021 - £210,577) is in accruals.

During the year Larchwood Care Homes (North) limited made purchases totalling £4,558 (2021 - £6,353) 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 (2021 - £Nil) was outstanding.

23. Post balance sheet events

Since the year end the following care homes were sold or closed:

"Belmont" was sold with completion being on 22nd March 2023, "The Chanters" was sold with completion being on 22nd March 2023.

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.